Workmen's Compensation and Insurance

in

France, Holland and Switzerland

A Series of Letters

by

Harold G. Villard

The following letters by Mr. Villard, written from various points in Europe, between July, 1912 and June, 1913, contain the results of his studies of the practical operations of the French, Dutch and Swiss workmen's insurance laws, besides a brief discussion of the recent Swiss legislation, which is not yet in effect. No attempt is made at a complete analysis of the various statutes discussed. For that information the reader should consult the Reports and Bulletins of the Bureau of Labor.

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FRANCE.

Experience Under the Workmen's Accident Compensation Law.*—Principles and Objects of the Law.—Misconstructions.—Growing Abuses.

Following the example set by Germany in 1884, practically all the leading industrial nations of Europe have, since then, passed laws affecting the compulsory insurance of workmen against accidents arising in the course of their employment. As is well known, this form of legislation has all been based on the same general theory of partial reparation and of a division of the loss arising from the accidents between masters and workmen. Instead of employers being liable, as heretofore, only in cases where negligence could be imputed to them, they are obliged to indemnify victims of accidents in all cases. On the other hand, employees injured through no fault of their own receive, not full, but only partial, compensation, while those at fault have their loss in earnings made partially good, instead of receiving no redress from their patrons, as was the previous custom.

In every case, workmen are to forego full compensation, and in no instance are employers to be mulcted to the full extent of their previous liability. To relieve the laborer from all loss or penalty in case of accidents, one-half of all of which are usually due to his negligence, would throw an unfair burden on the employer, and would tend to demoralize the workman by making him indifferent or careless. In order to prevent the simulation of accidents, and to make the victims anxious for their hurts to heal quickly, an employee should never be allowed to turn an injury into a source of profit. The accident-insurance statutes were, therefore, purposely intended to be only partially reparative, and were not meant to be a means of bestowing alms or charity on any one.

What the Object Is.

In discussing this class of legislation, another fact should be borne in mind, namely, that its object is not to make amends for the mutilation or disfigurement of the human body, but merely to compensate in

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part for any reduction in wages resulting from that loss. A victim may be terribly seared and scarred, but he is not entitled to receive any satisfaction for the loss of his good looks, unless accompanied by a diminution in his wage-earning capacity. No sentimental reasons, but purely business principles, should be applied in the interpretation of accident insurance statutes. The probable salary after, as compared with that earned before the occurrence of the injury, should be the basis on which any compensation is to be estimated. In the consideration of French or any other legislation on accident insurance, these general rules or observations should be kept in mind.

When the French statute was passed in 1898, its sponsors clearly understood that it was based on the idea of give and take. As one Senator defined it: "The law is in the nature of a bargain; for, if it obliges the head of an industrial undertaking to make good the loss incurred by the victim, without inquiry as to the cause of the accident, on the other hand, it only makes the patron responsible for a part of the damage suffered."

Unfortunately this original basis of the law has been more and more lost sight of, and the tendency is to construe and amend the act as though intended to make the employers the ones to be held responsible for any damages resulting from accidents. Disregarding the fact that the employees were to share the burden, too, both courts and legislature are daily more inclined to interpret and to change the law so as to aid the injured as much as possible in their efforts to obtain compensation from their superiors. The statute has come to be regarded more as a species of class legislation and as a measure directed against the employers in the interests of the workingmen. Hence the feeling that the poor and unfortunate should be favored whenever possible in their attempts to recover from the well-to-do masters and that the employees and physicians are acting quite legitimately and entirely within their rights in endeavoring to turn the law into as great a source of pecuniary profit to themselves as possible.

Other Grave Evils.

Besides becoming thereby a socialistic instrument of oppression, this narrow construction of the law has entailed other grave evils. The laborer no longer looks upon an injury solely as a great misfortune; his principal thought now is how, by exaggeration or otherwise, to make his hurts produce for him the largest monetary return. Forgetting the place assigned to him of impartial arbiter between conflicting interests, the physician has assumed the law to have been enacted for his pecuniary benefit, too, and feels justified in swelling his charges for treatment to the maximum possible amount, basing his attentions more according to the size of the employer's purse than to the victim's station in life. Lastly, the reform of the law and the doing away with abuses has become very difficult, because the radical socialistic majority in the Chamber of Deputies is disinclined to adopt any amendment urged

by employers, fearing that it may in some measure interfere with or curtail the rights or privileges of the workingmen. Indeed, the tendency is all the other way—to let down the barriers still further and to facilitate the mulcting and exploitation of the employing class.

Passing now to the interpretation of the law in French courts, compensation in cases resulting in permanent partial disability is frequently erroneously based on the bodily injury received. A workman in a textile industry, we will say, meets with an accident entailing the loss of the forefinger of his right hand. When the wound is healed, the attending physician certifies that the victim is suffering from a permanent injury which can never change or improve. On this statement, the Court issues a decree naming the sum the workman is to receive. Now, while the loss of the finger was susceptible of reducing the workman's earnings, he might yet in time have been able so to train his other fingers that the output of his machine would be as great as before, and to earn the same salary as he originally obtained, in which event, of course, he should cease to receive any payment on account of his injury.

By being governed by the bodily state of the victim—by making the law a sort of *pretium doloris*—and in overlooking the chance of the injured party's regaining some of his accustomed skill through training other members to do the work of the missing part, the French courts are putting a much heavier burden in the shape of compensation for permanent injuries on French industrial heads than is the case in other countries. In Germany, for example, the mutilation of the workman is disregarded. His loss in earning power is the sole criterion of compensation—as his wages rise, the latter diminishes or ceases altogether.

Rulings in Minor Accidents.

In the matter of minor accidents involving a disability of 10 per cent or less, the rulings of the highest court is again placing the French employers at a disadvantage, as compared with other competitors. In Germany no compensation is granted in such cases—and some of the lower French courts have followed the same policy up to a 5 per cent limit. Within a few months, however, the court of the highest jurisdiction has decided that the law directs the payment of an indemnity in all cases where the disability incurred is susceptible of causing, under normal conditions, a reduction in the victim's earning capacity, and that it fixes no minimum below which an indemnity is not allowed. The practice of refusing compensation in accidents of minimum importance on the ground that the injury received is not susceptible of causing any appreciable reduction in the injured party's earning power is condemned and held to be erroneous.

This ruling of the Cour de Cassation appears very unfortunate for many reasons. It construes the law from a narrow point of view and leaves out of account the theory of reparation and the broader pur-

pose of the statute. Instead of holding that in cases of inappreciable injury and of small fractional reduction in wages no indemnity is due, the court preferred the view that every hurt, irrespective of size or gravity, must be compensated for. Not the question of monetary loss, but the occurrence of an injury is to entitle the workman to damages.

Now the fact is that in the vast majority of minor accident cases, the workman cannot show any reduction in salary in consequence thereof. Suppose him to earn fifty cents a day, and to lose 4 per cent of his former efficiency—he will not be put in a class by himself at 48 cents, but will continue to draw his full pay as before. To pay the slightly injured laborer under these circumstances is to bestow an undeserved gratuity on him and to encourage him to nurse and magnify the smallest contusions which were unnoticed before. The law is twisted from its original intention and becomes a source of profit to the workman with an insignificant wound.

This regrettable interpretation is certainly bound to increase the number of claims for petty accidents, which were excessive enough before. In 1906, almost 60 per cent of the accident cases settled in the courts related to permanent disability of 10 per cent or less, which in Germany would have been regarded as too unimportant to be worthy of redress. While mulcting the employers, this insistence on compensation in minor accident cases has heretofore proven to be of little ultimate benefit to the workmen themselves. Settlement is usually made by paying the victim a lump sum, which he is only too apt to waste, instead of applying his award to a good purpose.

Attention has already been called to the difficulty of securing any legislation against abuses in the French accident insurance law. The proposals of the employers are regarded with suspicion and only one of the amendments recommended by them has been adopted by the appropriate committee of the Chamber of Deputies. All the changes opposed by them have been almost uniformly adopted, and some will undoubtedly be finally enacted into law.

Crying Evils of French Law.

Unquestionably, the most crying evils in the French law are due to the clause giving the injured workman the right to select his own physician and pharmacist. Without going into the subject at length, it is sufficient to say that, owing to an unholy alliance between the physicians and the laborers, the employers are exploited and fleeced at every turn. False medical certificates, undue prolongation of and unnecessarily expensive treatments, simulation of injuries, all these and other dishonest practices are resorted to. So profitable has this sort of practice become that many doctors in Paris actually pay the patients who present themselves for treatment. The customary rate is five francs for the first call and thereafter a daily stipend not to exceed two francs until a cure is effected. In the end the employers have to make good these improper outlays in one shape or another.

Physicians will at their own expense fit up clinics for the handling of accident cases among trades-unionists, and rebate to the union with which they are affiliated from 25 to 50 per cent of the fees collected. Under the system of free choice, the workman suffers in that when injured he seeks the practitioner who will pay him the largest retaining fee instead of the one most skilled, who will cure him in the shortest possible time. The employer loses through being swindled and overcharged.

In the face of such patent abuses, common sense would indicate that the most efficacious remedy would be to have only the employers name the physicians in accident cases so that those who have to meet the medical costs should have the means of controlling them. No harm could come to the workingmen for it is in the master's interest too that any one injured be restored to health in as brief a period as possible. But the French legislator is too timid to follow any such course, or to restrict the laborer's liberty or freedom of choice in any respect. Instead, a sort of half-way measure is finding favor and stands the best chance of enactment, which calls for the appointment of two physicians in all accident cases—one to represent each side. Experience alone would show how far this change would affect the present abuses and whether it would reduce the item of medical costs appreciably or not. Restricting the choice of physicians to the employers would be a much more direct and efficacious way of controlling and getting rid of the now existing evils.

How the law is losing its character of a partially reparative measure, where both masters and men are called upon to share the loss, is illustrated again in the change already made and further proposed regarding the period which must elapse before the injured workman receives compensation. In the original act, this time was fixed at four days, the idea being that, as a necessary check on simulation of accidents, the laborer should stand the loss for this initial period. A new distinction was made in 1905, however, when a clause was inserted providing that an indemnity was due from the first day on in cases where the length of disability exceeded ten days.

Effect of New Indemnity Clause.

It does not require much calculation to foresee that this change was bound to encourage simulation, and to result in a decided augmentation of accidents purporting to have caused disability in excess of ten days. If a slightly injured laborer resumed work on the fifth day he would (allowing for a Sunday) have earned at the end of the eleventh day six days' full pay. By claiming continued disability, however, he would, under the law, be entitled to half pay for eleven days, or five and one-half full days' pay, or practically the same amount he would gain by working. Consequently, the workman is under every stimulus to exaggerate the extent of his hurts, and not to resume work until eleven days or more have expired. That the alteration in the law has had

this very effect is strikingly proved by the following table of the length of disability in accidents settled by a certain group of French insurance companies in the year just before and in the year directly after the change in the law was made:

Number of Accidents.

Days disabled.	1904.	1906.	Difference. Per cent.
5	1,753	2,196	+ 25
6	2,448	2,931	+ 20
7	2,697	2,063	— 23
8	2,965	2,439	— 18
9	3,132	2,479	— 21
10	3,095	3,570	+ 15
11	3,037	6,799	+123
12	2,909	6,625	+128
13	2,866	5,850	+104
14	2,814	4,216	+ 50
15	2,802	4,837	+ 73
16 to 20	9,051	14,151	+ 56
21 to 30	8,349	12,443	+ 49
31 to 40	3,586	5,471	+ 53
41 to 50	1,771	2,560	+ 45
51 to 60	977	1,399	+ 43
61 to 70	676	854	+ 26
Over 70	1,533	2,019	+ 32
	50,461	82,902	+ 47
Total No. of accidents not over ten days	16,090	15,678	— 3
Of total number accidents (p.c.)	32	19	— 13
Over 10 days	32,853	67,224	+ 96

Although the total number of accidents increased 47 per cent in the two years, those entailing disabilities of ten days or less actually showed a decrease. Instead of forming almost one-third of all accidents, they constitute less than one-fifth. The most striking feature in this table is, of course, the abnormal increase in accidents causing a cessation of work of from eleven to thirteen days.

Employers Desire Repeal.

As this amendment to the law has simply resulted in grave abuses and encourages the workman to simulate the extent of his injuries and to prolong his period of idleness, the employers have asked for its repeal. Far from their wish being granted, the committee of the Chamber has just voted that the workmen's compensation shall run in all

cases, irrespective of the length of disability, from the first day. Instead of remedying a flagrant abuse of the law, they would facilitate its generalization. Even in the French Mutual Aid societies, where a close inspectorship is maintained and self-interest impels the members to keep tab on one another, it has been found necessary, in order to guard against shamming, to refuse any sick or other benefits for the first two days.

If no limit is imposed in accident cases, what way of preventing a dishonest employee from feigning a petty accident in order to enjoy a brief holiday on half pay? If all barriers are removed, the present heavy charges imposed on the employers will be increased at least 25 per cent, even if the number of accidents remains the same as now and without taking into account any possible increase through dishonest practices on the part of the workmen. Losing sight of the forfeitary principle on which the law was enacted, the committee have frankly stated that, in their opinion, the four days' provision gave the masters an unfair advantage, which they desired to see done away with as inequitable. Again we find the erroneous conception that the law is intended solely to ameliorate the condition of the laboring class and that only the employers are to be called upon for sacrifices.

If the removal of the four-day limit will put a premium on fraudulent practices and simulation, the same is true of another measure favored by the committee, providing that in case the victim's injury becomes worse or aggravated, the payment of the indemnity allotted when the wound was declared healed, shall be suspended. So long as the new period of treatment lasts, the injured party is to draw again instead his half-pay, and all medical and pharmaceutical expenses are to be charged to the employer. The objection to this proposed amendment is, of course, that it makes any permanent settlement difficult, especially in cases of minor accidents. If the victim with a small award becomes sick or is thrown out of work, how great then the temptation to claim a relapse with the help of some dishonest physician and to draw half-pay until employment is again to be had. In times of trade depression the demands for a revision of indemnity would be especially numerous.

Where Heirs Profit by Death.

Where death occurs, the Accident Insurance law, as revised in 1905, grants in certain cases indemnity to such of the victim's ascendants as can show that they were dependent on him for support. The committee has, however, just voted to do away with this requirement, in which event the heirs of the victim would, in cases where they had not previously received any of the earnings, actually profit by his death. The basis of the present law—the idea of partial reparation for an actual money loss suffered—is again entirely lost sight of. On what theory except that it is a statute for the relief of the poor, should an employer of a workman who has died from an accident, be compelled

to contribute to the support of his relatives, to whom the laborer while alive never gave any part of his wages?

But there is no need of giving any further instances. In brief, it may be said that all the evils against which an ideal law on the subject of accident insurance should guard, are to be found in France today. Instead of being eradicated, abuses are being strengthened and multiplied. The burden on French industry is steadily mounting, and bids fair to be radically increased in the near future. At the same time the demoralization of employees goes on apace. It is no wonder, therefore that the leaders of industry look forward with grave apprehension as to what the future has in store for them as regards the compulsory insurance of their laborers against accidents.

The history and application of the French act as well as past and prospective changes, all emphasize the necessity, in the interpretation of accident insurance statutes, of keeping clearly in mind the underlying principles on which this form of legislation was originally based. Once the idea of a just and equitable division of an unavoidable industrial loss between masters and workmen is lost sight of, the inevitable tendency arises to construe the law as a piece of class legislation directed against the employers on whose shoulders the burden must be placed wherever possible. If the mere fact of injury and not the actual wage loss suffered be taken as the ground for compensation, the workman obtains a false conception of the purpose of the law and seeks, by resorting to simulation and exaggeration of injuries, to derive a profit from it. The rectification of abuses becomes increasingly difficult because the laborer resists any projected legislation which would take away any previously secured advantages, even if improperly obtained. Lastly, where a wrongful interpretation prevails, the danger is constantly present that the law will be turned more and more into a sort of poor relief measure at the employer's expense with the consequent disappearance of the idea of an equitable contribution by the workingmen.

INSURANCE UNDER THE FRENCH ACCIDENT COMPENSATION LAW.*

Self, State, Co-operative and Corporate Insurance.—Employer's Options.—State Insurance Not in Favor.—Showing of Private Companies.—State Monopoly Idea.

With the passage in 1898 of the law making the insurance of workmen against the risks of their employment compulsory, employers' liability insurance in France first began to develop on an important scale. The statute leaves entire liberty of action to the employer. He can either be his own insurer or have himself insured directly by the State, or by one of the various private organizations authorized by the Government to underwrite employer's risks. A large number of employers, with nearly one-third of all the workmen affected by the law in their pay, have preferred not to take out any outside insurance, but to meet their own accident losses as they occur. As five out of every thousand employers, it is estimated, will fail to meet their workmen's liability insurance, the Government compels all employers to contribute to a special guarantee fund to make good losses incurred involving death or permanent disability to employees. If the trade is one requiring a license, this contribution was originally fixed at 4 per cent of the license tax; if not, the contribution became 2 per cent of the total premium paid for insurance. If the employer was uninsured, he had to pay in 4 per cent of the face value of all accident losses incurred by him, as they arose.

With the exception of 1903, the guarantee fund has yielded each year a surplus, the total of which reached 10,675,177 fr. at the end of 1910. In view of this comparatively large surplus, the annual contributions are to be determined hereafter on a sliding scale based on the losses which the fund was called upon to make good during the year immediately previous, but in no case are they to exceed the figures originally fixed. For the years 1906-10, the only years for which full statistics are available, the operation of this guarantee fund shows the following results:

Receipts	12,918,732 99
Expenses and losses	6,964,685 87
Losses	5,593,445 03
Account insured employers	2,136,527 66
Account uninsured employers	3,456,917 37
Recovered from employers	2,034,956 89
Recovered from insured employers	1,839,399 54
Recovered from uninsured employers	195,557 35
Net losses account insured employers	297,128 12
Net losses account uninsured employers	3,261,354 02

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What the Figures Reveal.

These figures are instructive in that they show that the losses, which the fund is called upon to meet, are much larger—in the proportion of seven to four almost—for uninsured than for insured employers. Furthermore, seven-eighths of the losses assumed for the insured were afterward recovered against only 5½ per cent for the uninsured, showing that the chances are very slight of recovering any sums paid out for the latter. The net losses in the five years on account of uninsured employers were eleven times as great as those on account of those insured. From the standpoint of affording security for the payment of indemnities to victims of trade accidents, individual insurance by employers in France is therefore not nearly so reliable as that offered by the coöperative societies or stock companies.

Next in order may be mentioned Government insurance against accidents as conducted by what is termed the Caisse Nationale d'Assurance en Cas d'Accidents. When the law of 1898 was enacted, the authorities feared that, if left without any official competition, the private companies engaged in employers' liability insurance would form a combination among themselves and charge excessive rates. They also believed that the companies might decline certain bad risks, which would compel the employers in such cases to be their own insurers unless the State furnished them with a haven of refuge. Both of these fears have proved to be absolutely groundless. As insurance by the State was intended only to act as a curb on and as a supplement to the operations of the private companies, the Caisse only insures employers against the more dangerous forms of risks involving death or permanent disability. No profit was intended, and the aim has been to have the premiums just sufficient to cover expenses and losses.

State Insurance Not in Favor.

It will be seen at a glance that, unless some especial inducements were offered, State insurance, covering only a limited number of accidents, would not be apt to find much favor with employers, as compared with that of an insurance company protecting against every kind of disability. These inducements not being forthcoming, Government insurance against accidents has always been a negligible factor in France, as the following figures will show:

	Wages insured, francs.	
Year.	State.	Private organizations.
1901	10,561,853	2,828,498,832
1902	15,558,196	2,949,882,941
1903	17,071,954	3,056,854,767
1904	21,869,159	3,149,993,700

1905	26,568,928	3,329,454,703
1906	28,775,412	3,614,972,820
1907	40,169,428	4,189,346,269
1908	60,362,853	4,579,458,819
1909	74,143,699	4,856,040,803
1910	77,494,953	5,225,136,958
Totals	372,576,435	37,759,640,612

In some respects, the French Government has a decided advantage over individual competitors. It confines itself to death and permanent disability cases, the cream of employers' liability insurance in France, where the percentage of such accidents per 1,000 workmen has remained stationary, and where the flagrant abuses which have developed in accidents involving only temporary disability are much less in evidence. The Government has no commissions or agency force to pay, and is under no expense for rent, as it makes use of already existing public buildings. Consequently, in its insurance department, the expenses for the last ten years have averaged only 8 per cent of premium receipts, as against 26 per cent for the private companies. Yet in spite of these advantages, the Government has not made as good a showing as the latter.

With slightly higher premium rates, the Caisse d'Accidents shows a steadily growing deficit, which amounted to over 677,000 francs at the end of 1910, or a loss of 1,763 francs for every million of wages insured, as against a loss of 666 francs recorded by the private companies and societies. The Caisse should have raised its premium rates 8 per cent to have come out even, while the companies only needed to increase their premiums 3½ per cent in order to have attained the same result. Most unfavorable is the Government's showing in the item of legal expense. This has averaged 9.4 per cent of all losses incurred, as against less than 4 per cent for the private companies. Evidently, the latter have nothing to fear from the competition of the State with its staff of routine officials, lacking all initiative and adaptability.

Classification of Corporations.

The Government authorities classify the various corporations and associations insuring against accidents to workingmen, into four groups—French stock companies, foreign stock corporations, mutual insurance associations or societies, and guarantee or trade syndicates. These last are simply a special kind of mutual societies. In order to obtain the necessary license to do business, a stock company or mutual society must make a preliminary deposit of 400,000 francs with the Government. Thereafter the deposit must equal 2 per cent of the wages insured in the year preceding, with 400,000 francs as a minimum and 2,000,000 francs as a maximum amount. If the company only in-

sures one kind of risks, or a similar group of trades, or binds itself, where accidents occur, to purchase all annuities or pensions for the benefit of the injured through the Government Caisse Nationale for Old Age Pensions, the required deposit is reduced one-half. If the company agrees to both, its deposit is reduced to one-quarter. At the end of 1900, licenses to do business had been issued to 21 foreign and domestic stock companies and to 17 mutual societies and guarantee syndicates. On December 31, 1910, the figures were 23 and 40 respectively, the number of stock companies remaining almost stationary, while the mutual societies and syndicates more than doubled. In spite of this marked increase, the two latter combined only secured 30 per cent of the total business transacted in 1910, as compared with 24 per cent in 1901.

The following table shows the operations of all the companies for the years 1901-1910:

Year.	Premiums.	Losses.	Expenses.	Total.
1901	52,451,438	43,525,140	13,440,973	56,966,113
1902	54,048,626	49,670,079	14,494,312	64,164,391
1903	59,874,899	46,313,476	15,808,442	62,121,918
1904	63,871,456	46,684,493	16,093,760	62,778,353
1905	73,045,711	57,356,945	16,866,356	74,223,302
1906	81,785,576	67,098,085	18,771,411	85,869,496
1907	98,386,328	85,669,427	21,678,490	107,347,917
1908	105,068,828	87,759,083	24,414,239	112,173,322
1909	112,564,406	91,179,757	26,205,945	117,385,702
1910	122,154,812	100,003,766	28,195,168	128,198,934

	Loss.	Sundry profits, Interest, losses recovered, etc.	Net loss.	Prem'm rate.
1901	4,514,675	307,936	4,206,739	1.854
1902	10,115,765	555,988	9,559,777	1.832
1903	2,247,019	1,504,892	742,127	1.958
1904	+1,093,103	2,583,245	+3,676,348	2.027
1905	1,177,591	2,733,528	+1,555,938	2.193
1906	4,084,020	2,686,111	1,397,809	2.262
1907	9,951,589	2,914,877	6,036,712	2.352
1908	7,104,495	4,162,983	2,941,512	2.294
1909	4,821,296	4,739,904	81,392	2.318
1910	6,034,122	5,810,976	233,146	2.337
Total			25,189,214	

With the exceptions of 1904 and 1905, every year shows a loss for those engaged in this form of insurance. For the ten years, the total amounts to over twenty-five millions francs. The heaviest losses occurred in the years of depression 1907 and 1908. The rise of 25 per

cent in the average premium rate during the period covered should also be noted. For the last two years, the various organizations have come out about even.

Contrasting the operations of the various groups for the entire ten years, 1901-1910, the following figures are of interest:

	Mutual cos.	Stock cos.	Syndicates.
Average premium	2.25	2.09	2.94
Losses to wages insured.....	1.92	1.67	2.66
Losses to premiums.....	85%	80%	90%
Expenses to premiums	17.8%	26%	21.5%

Private Companies Show Best.

It is evident from the foregoing tabulated statement that the private stock companies make the best relative showing. Their ratio of expense is, of course, higher as it includes commissions to agents, which their competitors are spared. But their premium rates are the lowest, as is also their percentage of losses incurred. The guaranty syndicates have fared the worst of all as regards losses, and their premium charges are by far the highest. During the ten years under review, six stock, two mutual societies, and two syndicates, or ten units in all, have either failed or ceased to write employers' liability risks. As this branch of insurance has yielded no profits, it is not surprising to find that the number of stock companies engaged therein has remained almost stationary, rising to only twenty-three, as against twenty-one in 1901. Although the total amount of wages insured by these companies is 70 per cent larger, almost the entire increase has gone to twelve of the bigger companies. Two concerns show a distinct loss, and the gains of the other nine are relatively unimportant.

As to the mutual societies, they record a gain from fifteen to twenty-three in number and have more than doubled the amount of business transacted by them. But the major part of this gain has been absorbed by six of the larger societies. Mutual societies to carry on an insurance business can be formed in France under general laws, and the consent of the Government authorities is not required thereto. They must, however, just as in the case of the stock companies, make a deposit with the Government before beginning business, and are obliged to collect reserves. They can issue policies either with fixed or with unlimited premiums, in which latter event the premium rate is ultimately fixed by the amount of loss incurred. Members cannot be bound for a longer period than five years, at the end of which time they have the right to step out if they desire. As carried on in France, the mutual societies frequently confine their operations to those engaged in one certain industry or located in a given industrial area.

The Guarantee Syndicates.

In permitting the establishment of guarantee syndicates, the author-

ities desired to make it easy for the smaller trades-people and employers of minor importance to secure coöperative insurance against workingmen's accidents, just as the mutual societies provide it for the larger industrial plants. Thus, for example, one syndicate had among its adherents builders, contractors, barbers, coffee-house keepers, silk weavers, and grocers.

The syndicates must have their regulations and governing statutes approved by the Government before they can commence business. On the other hand, they are relieved from keeping any sum on deposit, as in the case of the other organizations. This exemption should reduce their expense account, as no interest charge on capital has to be met. Two kinds of syndicates are allowed. One insuring 5,000 laborers or over, working for ten separate employers, as a minimum, five of which at least must have no less than 300 laborers. In the second class, permitted only since 1906, the minimum number of workmen is fixed at 2,000, that of the employers at 300, 30 of which must employ at least three workmen each.

The grave objection to these syndicates is the fact that, unlike the mutual societies, every member is individually responsible for any losses incurred, and that there are no fixed or limited premiums. If the provisional premium in any given year proves too low, an additional percentage can be levied up to any amount. In one case, the supplementary premium was for 1907 95 per cent of the original amount levied, and for 1908 65 per cent. Furthermore, members cannot withdraw at will, but are bound for long periods. Unless, therefore, the syndicates are well and economically managed, this form of employers' liability insurance may prove exceedingly costly to those participating therein.

Record Not Inspiring.

Unfortunately, the record of these syndicates has not been such as to inspire confidence. As has already been stated, their average premium rate since 1900 has been 2.94, as against 2.25 and 2.09 for the mutual societies and stock companies respectively, while their percentage of losses sustained is the highest of all in the three categories. The latest reports of the Minister of Labor respecting their operations are full of complaints regarding their loose bookkeeping and concealment of their real condition. One syndicate reported a loss of 358,603 francs in four years. Actually, the true loss proved to be 3,450,580 francs, or almost ten times as great as at first stated. Doubtful amounts, like overdue premiums from members, are put down as though a cash asset, and losses are underestimated. Those of the syndicates for 1909 were understated 1,332,423 francs, against an overestimation of 1,052,507 and of 4,223,545 francs for the losses sustained by the mutual societies and stock companies respectively. Several of the syndicates, too, are behindhand in making final settlements, exceeding the period of grace allowed them by law.

In spite of their relatively poor showing and high rates, the number of guarantee syndicates has of late years shown a remarkable growth. Starting with a total of three in 1906, there were seventeen transacting business on January 1, 1911. This anomaly is explained by the fact that unscrupulous promoters find a good field for the exercise of their talents in the formation of these syndicates. No capital is required to start them, all that is necessary is to drum up a sufficient number of adherents. By misrepresentations as to the cost of insurance, this is a comparatively easy matter. With the statutes or by-laws so drawn that the governing board names its own succesors, without the members having any voice therein, the promoters are enabled to keep the management in their own hands. As the Minister of Labor in one of his reports warningly said: "It is hard to conceive, besides, of the imprudence of heads of industrial establishments, who affiliate themselves with such guarantee syndicates without observing that, under the guise of purely mutual insurance, they in reality only constitute a lucrative form of insurance exploitation on the part of the promoters for their own personal profit."

How true this statement is appears evident from the following figures taken from the account of certain guarantee syndicates for 1909:

Total Premiums.	Expenses.	Per Cent. of Premiums.
288,286.80	114,133.30	40
223,136.15	94,120.19	42
81,933.85	40,452.20	49
34,832.28	34,723.25	100

The smaller the amount of business transacted, the higher the expense ratio is apt to be.

A Declining Tendency.

Despite their large increase in number, the total business transacted by the guarantee syndicates shows a declining tendency. The highest figure was reached in 1907, when the sum total of wages underwritten was 331 millions of francs. For 1910 the figure was only 308 millions. Premiums dropped from 10¼ to 8½ millions. Three only of the syndicates do business on a large scale, and one of these went into voluntary liquidation at the end of 1910 on account of excessive losses. In 1908 these three obtained four-fifths of the total business, the other fifth being divided among twelve syndicates, with an average premium income of only 140,000 francs. And with one of the large syndicates finding it more advantageous to go out of business, with the minor ones operating under an excessive expense ratio and not in fulfilment of any public want, frequently, but more for the purpose of affording salaries

to their managers, the chances are all against the guarantee syndicates obtaining much in the way of new business hereafter.

While the utmost freedom of choice has heretofore prevailed in the field of employers' liability insurance in France, it should be stated in conclusion that there is a more or less determined effort being made to make the insurance business in all its branches a state monopoly. If such a movement should succeed, accident insurance, where the state is already a competitor, will in all probability be one of the first branches to be taken over. That the state in such an event would give better or cheaper service than any of the existing organizations is not at all likely, if one may judge by the operations to date of the Caisse d'Accidents. But everything takes time in France, and apparently a considerable period will elapse before such a step is undertaken.

PRINCIPAL ABUSES UNDER FRENCH ACCIDENT COMPENSATION LAW.*

Increased Cost.—Litigation Over and Pensions for Trifling Injuries.—Medical Abuses.

Since its first introduction in 1898, the scope and extent of the French Accident Insurance law has been greatly widened and increased. While the sum total of wages insured under the act has thus been greatly augmented, complaint is heard on all sides, from employers, of the disproportionate gain relatively in the number and cost of accidents incurred, for which indemnity must be paid and which is entailing each year a constantly mounting burden on the French industrial world. That this complaint is well founded will appear from the following figures:

Year.	Total wages insured. Francs.	Total losses incurred. Francs.	No. of accidents.	Accidents per 1,000 men.
1901	2,828,498,832	43,525,140	229,162	63.4
1902	2,949,882,941	49,670,079	223,286	60.6
1903	3,056,854,767	46,313,476	212,753	54.9
1904	3,149,993,700	46,684,593	222,124	52.8
1905	3,329,454,703	57,356,945	259,828	61.3
1906	3,614,972,820	67,098,085	306,860	70.7
1907	4,189,346,269	85,669,427	359,747	80.1
1908	4,579,458,819	87,759,083	354,027	77.9
1909	4,858,040,803	91,179,757	383,249	82.9
1910	5,225,136,958	100,003,766	412,278	87.2

Thus, while from 1901 to 1909, the number of workmen insured† rose from 3,614,000 to 4,624,000, or a gain of 28 per cent, and the total wages insured increased 72 per cent, the total number of accidents causing losses increased 67 per cent, and the amount of losses sustained more than doubled, or gained 109 per cent. On the other hand, the number of accidents per 1,000 workmen insured increased in the same period 30 per cent, and the losses incurred per 1,000 workmen 66 per cent, or practically two-thirds.

*Reprinted from New York Evening Post of April 12, 1913, by permission.

†Number of workmen insured—
1901—3,614,000
1906—4,340,000
1907—4,440,000
1908—4,544,000
1909—4,624,000
1910—4,728,000

Nature of Accidents.

The following tables throw some interesting light on the nature of the accidents incurred;

Year.	Total No.	Deaths.	Permanent disability.	Temporary disability.	Unclassified.
1905	259,882	1,470	4,589	250,649	3,174
1906	306,860	1,499	4,655	296,339	4,367
1907	359,747	1,762	5,191	347,911	4,883
1908	354,027	1,609	5,018	342,017	5,383
1909	383,249	1,660	5,121	371,198	5,270
1910	412,278	1,650	5,452	399,769	5,407
	(Accidents per 1,000 workmen.)				
1901-3	62.	.3	1.1	59.5	1.1
1905	61.3	.35	1.1	59.1	.75
1906	70.70	.35	1.07	68.38	1.
1907	80.10	.39	1.15	77.46	1.1
1908	77.9	.35	1.15	75.2	1.2
1909	82.9	.35	1.1	80.32	1.12
1910	87.2	.35	1.15	84.56	1.14

It is to be noticed that deaths and permanent disability cases show practically no change in percentage throughout. The temporary disability or minor accident cases are therefore alone responsible for the almost uniform rise in the number of accidents per thousand workmen.

The following statement of how the cases decided by the courts since the inception of the law have been distributed, is likewise very illustrative:

Year.	No. of cases.	Deaths.	P. C.	Permanent disability.	P. C.	Partial disability.	P.C
1899	899	534	59.4	13	1.4	352	39.2
1900	6,543	1,562	23.9	139	2.1	4,842	74.
1901	10,627	1,729	16.3	227	2.1	8,671	81.6
1902	12,241	1,613	13.2	198	1.6	10,430	85.2
1903	13,853	1,524	11.	179	1.3	12,150	87.7
1904	15,303	1,560	10.2	197	1.3	13,546	88.5
1905	19,802	2,138	10.8	171	.9	17,493	88.3
1906	24,547	3,144	12.8	149	.6	21,254	86.5
1907	26,138	2,413	9.2	141	.5	23,584	90.2
1908	29,632	2,491	8.4	156	.5	26,985	91.1
1909	28,300	2,395	8.4	137	.4	25,768	91.
1910	30,266	2,450	8.	128	.4	27,688	91.4
1911	33,088	2,613	7.9	139	.42	30,336	91.7

It is again to be noticed that the percentage of cases involving only partial disability shows an almost uninterrupted increase, rising in ten

years from 74 per cent to over 91 per cent, while the proportion of deaths and permanent disability cases shows an almost uniform decline.

Infrequent Appeals to Courts.

At this juncture it should be stated that employers in France have, as a rule, not raised any unnecessary difficulties regarding the enforcement of the Accident Insurance law. It has been accepted in a loyal spirit and appeals to the courts are infrequent. Since the law went into effect, out of a total of 2,963,368 accidents reported up to the end of 1910, all but 218,151 were settled for without having to call in the help of the courts. Thirteen out of every fourteen accident cases are thus privately settled without any litigation being started. Nor are the appeals to the courts becoming more frequent relatively than before in spite of the much larger number of accidents for which claims are made. The general feeling on the part of employers seems to be that the law has come to stay, and that it would work satisfactorily provided its provisions are not made more onerous and provided the statute could be amended so as to do away with certain faulty provisions which have allowed some serious and grave abuses to rise.

Concerning first the abuses against which the employers are protesting, we find much complaint over the attitudes of the courts in granting small life pensions of 10, 20, and 30 francs for slight injuries. This tendency to grant relief for minor accidents is well illustrated in the following table of cases judicially settled where the accidents resulted in permanent partial disability. The percentage of disability has been estimated as follows:

Year.	5 P. C.	5-10 P. C.	10-20 P. C.	20-30 P. C.	30-40 P. C.	40-50 P. C.	Over 50 P. C.	Various.
1899	.056	.146	.238	.132	.138	.093	.149	.048
1900	.105	.178	.255	.117	.112	.078	.129	.026
1901	.154	.212	.234	.112	.104	.069	.11	.005
1902	.1858	.2326	.2362	.1026	.0971	.0563	.0891	.003
1903	.227	.263	.215	.10	.076	.046	.073	
1904	.245	.267	.219	.089	.07	.038	.072	
1905	.275	.258	.211	.088	.065	.037	.066	
1906	.321	.271	.183	.082	.056	.033	.054	

From 1899 to 1906, of all accident cases decided the number involving less than 10 per cent disability increased from 20 per cent to 60 per cent, or a percentage increase of threefold, while the percentage of accidents involving more than 10 per cent disability, dropped from 80 to 40 per cent. Statistics for later years have not yet been published.

Right to Choose Physician.

We now come to the most important provision objected to by the employers and the one most prolific in abuses, namely, the section

giving the workman, in case of accident, the right to choose his own physician and pharmacist. It is unquestioned that there has been a regular and altogether disproportionate increase in the cost of medical attendance and pharmaceutical expenses each year. The following tables show this:

Year.	Amt. in francs.	Year.	Amt. in francs.
1901	5,416,893	1906	10,533,987
1902	6,464,425	1907	12,587,214
1903	6,640,419	1908	14,513,038
1904	6,947,212	1909	15,586,235
1905	8,411,276	1910	16,942,049

This represents the following percentage of the total amount expended for accident losses:

Year.	Medical expenses Per cent. of total losses incurred.	Year.	Medical expenses Per cent. of total losses incurred.
1901	.12445	1906	.157
1902	.13617	1907	.147
1903	.14337	1908	.1652
1904	.14881	1909	.1709
1905	.14667	1910	.172

For every 100 francs of wages insured, the cost of medical expenses figures out as follows:

Year.	Per cent.	Year.	Per cent.
1901	.19151	1906	.29139
1902	.21914	1907	.30046
1903	.21723	1908	.31692
1904	.22054	1909	.32096
1905	.25263	1910	.32921

The average cost of medical attendance in accidents involving temporary disability has been as follows:

Year.	Cost in francs.	Year.	Cost in francs.
1901	12.95	1907	17.25
1902	14	1908	18.30
1903	14.50	1909	19.55
1904	14.80	1910	20.44
1905	15.20	1911	21.58
1906	15.90		

Thus in ten years, the average rate has increased from 12.95 to 21.58 francs, or two-thirds.

What are now the causes for this steady augmentation in the cost of medical attendance for injured workmen? The employers unanimously ascribe it to collusion between their working force and dishonest or conscienceless physicians and apothecaries. As a proof of this, they cite the fact that when the naming of the physician is left to them, the cost of treating petty accidents averages only 15 francs, while in the case of physicians selected by the injured persons themselves, the average cost will run from 50 to 60 francs.

In the French law, a very important rôle is assigned to the physician. If an accident occurs, he has to furnish an initial certificate setting forth the victim's injuries and the estimated duration of disability. Later on, when the injuries are healed or their permanent effects known, he is called upon to make out a second or final certificate, which is of controlling importance in determining the amount of compensation to be paid to the injured party. The physician's duty is therefore not only to heal, but to perform a social duty as well—namely, to reconcile the conflicting interests of employers and employees, to balance the scales evenly between the two parties and to see that neither side obtains an undue advantage over the other. It is easy to see therefore that the successful and proper administration of the law depends more or less upon the manner in which the practitioners perform the functions assigned to them.

Surprising as it may seem, the French doctors appear from the very start to have lost sight of the fact that the primary object of the new statute was humanitarian—to see that unfortunate workmen, who had been injured in the course of their employment, should be in some degree compensated and provided for instead of being largely left in misery and want as heretofore. The physicians have regarded the law as a means of procuring a new and profitable source of income for themselves for services which they had formerly been glad to render to a great extent gratuitously.

Clinics and Dispensaries.

When the law first went into effect, clinics, and dispensaries for the treatment of injured workmen were at once established by some of the large insurance companies and by the heads of many of the more important industrial establishments. It was rightly foreseen that victims of trade accidents could be treated more advantageously and more economically in a large institution under the charge of specialists than if left to the care of a great number of physicians having little or no experience in the treatment of accident cases. Employers used all means to direct their injured hands to these clinics, and, if they would not go voluntarily, pressure, such as a threat of refusal of further employment, was undoubtedly exerted in some cases to force their compliance, until forbidden and done away with by a change in the penal law in 1905.

Side by side with these clinics of employers and insurers arose

others established by private physicians in the large cities and industrial centres for the exclusive treatment of workmen's accident cases. Usually these were started by young and unscrupulous doctors with little standing or practice and indifferent to the established rules of medical ethics. As the Accident Insurance law made the employers responsible for all medical costs and fees, these practitioners foresaw that, once assured of a clientage, their path to fortune was secure. Accordingly, while self-advertising is deemed highly unprofessional in the best French medical circles, the owners of these private clinics have not hesitated to use the most flamboyant and often dishonest methods to attract to their establishments workmen who have been injured in the course of their employment. Drummers and agents are posted and employed near important workshops, whose duty it is to steer injured workmen to and to extol the merits of these clinics. The clinics themselves are painted in gaudy colors, flaring advertisements are posted in conspicuous places, circulars are sent out and handbills distributed among the working classes. Dressing of wounds, massage, electrical, radium, and mechano-therapeutical treatments are offered. Attention is also called to the fact that attached to the clinic is a legal bureau which will procure the maximum indemnity allowed by law and attend to all formalities prescribed for the procuring of the same. Certain of the clinics have even gone a step further and now bestow a five-franc piece on an injured employee when he first presents himself and allow him a daily stipend ranging from one-half to two francs a day so long as he is under treatment. With such inducements held out to them, it is not surprising that the workmen, when injured, flock to these private accident clinics. In Paris, more than half of all accident cases are treated in them.

Profits of the Clinics.

Knowing of the heavy expenses these clinics are put to for advertising, employment of runners and often for allowances to the patients themselves, and of the moderate charges prescribed by law in accident cases, an ordinary outsider might suppose that these establishments would not prove very profitable. On the contrary, they pay extremely well and are increasing in number from year to year. A recently published list shows 31 in Paris alone. Many yield an annual income of over 50,000 francs, a very large sum for a French doctor to earn. One physician made more than 500,000 francs in a few years, and has retired from practice. How, one asks, is this possible? The answer is very simple—through an elaborate system of dishonest and swindling practices by which the employers and insurance companies are mulcted in every possible way.

To begin with, these clinics have as their main object not the quick and speedy healing of injured patients, but rather the running up and manufacturing of the maximum possible charges and claims against the employers. To this end every possible device and loophole in the law

is taken advantage of. Workmen are encouraged to exaggerate and taught how to simulate injuries. If necessary, false medical certificates are furnished. The treatment is prolonged and spun out for as long a time as possible. As the fees are low which can be charged under the law, unnecessary and uncalled-for dressings, massage, electrical and radium treatments are resorted to. These are charged for at doctors' rates, although frequently given by nurses and attendants. A simple visit will be magnified into a consultation.

In league with these clinics and no doubt dividing profits with them on some agreed basis are certain pharmacists and apothecaries. The most expensive medicines are prescribed, when those of a cheaper quality would serve just as well, and in excessive quantity. Fresh supplies and medicines are ordered in long before the old are used up or exhausted. And lastly, when the workman is discharged as cured, the clinic has its own legal bureau run by skilled advocates to look after the collection of its inflated bill and charges and the half-salary due the victim of the accident as well. No wonder therefore that employers find themselves called upon to pay three or four times the ordinary rate for cases treated in these private clinics and that frequently the amount of the doctor's charges exceeds the indemnity coming to the injured party.

In recent years, a third class of clinics has been established by certain trades unions or labor exchanges, as they are called in France. These treat not only members, but their wives and children as well at reduced rates. In case of accidents, members are expected and ordered to go to these union clinics for treatment.

Bad Results Apparent.

The bad results of the provision in the French Accident Insurance law granting to the injured workman the right to select his own physician are thus apparent. The individual practitioner does not benefit, for he finds no accident cases coming to him for treatment. The standard of medical ethics has been lowered—in one Medical Congress a resolution was even proposed approving of a doctor's paying a stipend to the workman who presented himself for treatment. The workmen are demoralized, for they have been taught not to regard an injury or disability as a misfortune, but as a means of making something out of their employers. Hence their readiness to travel even a distance of fifty miles from their places of injury to the clinic that holds out the most inducements. The employers and insurance companies are fleeced at every possible turn, and a heavy burden imposed on French industry in the shape of increased premium rates.

By what is known as the tariff Dubief, the French law prescribes carefully what rates can be charged for different kinds of medicines and treatment by pharmacists and physicians engaged directly by injured workmen. No fault is found with these rates; in fact, the tariff for medicines was increased on the average some 25 per cent. on July

1, but a strong protest is made against the number of visits, consultations, dressings, massage, and electrical treatments, etc., and against the excessive quantity of medicines and drugs supplied. A case in point arose at Uzés, where a physician gave the injured party 89 massages and 12 electrical treatments, and at the same time put in a bill for 101 special examinations where apparently three or four would have been sufficient. A favorite device is to charge varying and separate rates for massage of different parts of the body, although treated at one and the same time.

In the matter of medicines and surgical supplies, physicians do not hesitate to order the most expensive articles, and in entirely unnecessary quantities. An expensive medicine will be prescribed instead of an equally efficacious low-priced laxative like castor-oil. Fresh drugs are ordered in, although the quantity on hand is by no means exhausted. In one flagrant case, when a laborer was incapacitated for twenty days with an injury to his shoulder, his attending physician prescribed 5 pounds of liniment, 13 litres of wine, and 400 feet of flannel. One apothecary even presented a bill for 1,148 francs for remedies furnished a workman who had merely scratched his finger.

Patients have even been detected in reselling flannel and other articles which had been supplied to them in excessive quantities. Frequently an employee finds a physician dishonest or complaisant enough to issue to him a certificate of disability when he is either not at all incapacitated or finds himself perfectly able to work for some other employer. The furnishing of these false medical certificates is unfortunately by no means uncommon. In one extreme case, twenty-eight certificates out of thirty-one were found to have been improperly issued.

Apothecaries Follow Example.

With the example of the physicians before them, the chemists and apothecaries have not been slow to charge what the traffic will bear and to swell their costs as much as possible. As in the case of physicians' rates, the law carefully prescribes what an apothecary's charges must be. The statute is circumvented, however, by furnishing supplies and medicines in greater quantity than called for, or articles that are entirely unnecessary. In one particularly striking instance, an apothecary treated a workman for an insignificant injury to the fourth finger of the left hand. To cure this light hurt, the pharmacist presented a bill for 1,148 francs—finally reduced by the court to 364 francs—charging for dozens of bandages, whole packages of cotton wool, square metres of oil-silk, litres of oxygenized water, and for 154 francs worth of quinquina or tonic wine.

To such an extent do certain physicians and apothecaries swell their charges, that frequently they receive more for their services than the sum paid as compensation to the victim of an injury. Below are cited a few instances:

No. of days disabled.	Amt. paid workman. Francs.	Physician's charge. Francs.	No. of days disabled.	Amt. paid workman. Francs.	Physician's charge. Francs.
43	85	124	54	135	165
31	93	120	48	144	208
34	93	130	70	162	183

Except in cases where a large amount is involved, employers have learned by experience, that it does not pay them to contest a physician's bill, even though it be full of over-charges. To obtain a revision of a doctor's account requires the starting of not inexpensive court proceedings, and means the calling in of outside experts. The fees of these and all court costs must be paid by the employer, whether he wins or loses, and frequently these equal, or even exceed, the amount of the reduction obtained. Thus, in one case, the judge cut a physician's bill from 1,027 to 420 francs, but legal costs borne by the employer were 500 francs, so that the net amount saved was only 107 francs. The masters find it less expensive, therefore, to submit to over-charging in minor accident cases, than to make a contest.

While the courts have ruled from the start that the workman had the right of selecting his own physician, the law as originally passed in 1898 read somewhat obscurely on this point. Consequently a number of the large industrial establishments insisted, under threats of dismissal or otherwise, that their employees when injured should be treated by physicians appointed by the managers. The medical profession was, of course, violently opposed to this practice, and finally succeeded in 1905 in having this sort of pressure expressly forbidden. At the same time, the accident insurance law was amended and the laborer's right to select his own physician and pharmacist stated in clear and unequivocal language. This curtailment of the power of employers to control the appointment of the physician was immediately followed by a remarkable and wholly unlooked-for increase, both actually and relatively, in the number of minor accidents involving temporary disability.

Previous to this restrictive legislation of 1905, the number of lesser accidents showed no change, remaining slightly under 60 per 1,000 workmen. After 1905, however, a striking rise is to be noted, attaining in 1909 the figures of 80.32, a gain of one-third in the relative number of accidents in four years. These figures certainly bear out the contention of the employers that the physicians are encouraging the workmen to simulate or magnify the number of unimportant accidents.

Increased Medical Expenses.

Again, another result of the legislation of 1905 has been greatly to increase the cost of medical expenses. It is to be noted that up to 1904, the cost figures remain about the same. Beginning with 1905, when the law was altered, medical costs immediately began to rise instead of being stationary as heretofore. In 1910, they were actually

two and one-half times as great as in 1904, and 50 per cent. higher relatively per 100 francs of wages insured.

Once more we observe that up to 1904, the figures for losses do not vary appreciably. Nineteen hundred and five shows the first important gain, and every following year marks a further increase, until in 1910 they have more than doubled as compared with 1904.

In the case of the Mutual Aid Societies, physicians attending members are paid annually a fixed amount per head, according to the membership of the various societies. The system has never been followed of paying by the number of visits, which has been adopted in accident insurance cases and which is a direct incentive for physicians to make unnecessary visits and to swell the amount of their charges as much as possible.

The courts are doing what they can to check this fraudulent overcharging by physicians. They are beginning to follow the rule that where a bill is shown to be excessive the losing party must pay the costs. If drugs and medical supplies are ordered in too great quantities, the employer has the right to sue the physician on whose prescription the supplies were ordered for the excess. Articles not mentioned in the regular tariff, such as wine or mineral waters, cannot be charged for nor the bottles in which salves or liniments are contained. These decisions are all in the right direction.

On every ground, therefore, the right of the employee to choose his own medical adviser and pharmacist should be done away with. It is against the interests of both employers and workmen, and has given rise to many dishonest practices on the part of physicians and apothecaries which mulct the employers and do not benefit the laborers. The former are called upon to pay for unnecessary medical visits and for excessive quantities of medicines and drugs, while the latter suffer in not being promptly cured and in having the time of their enforced idleness extended.

While the desirability of this legislation would seem to be apparent to all, the French Parliament has thus far been unwilling to act in the matter, although the agitation for the repeal of this portion of the law has been going on for some time. In default of this relief, the employers are urging the abolition of the tariff Dubief and the substitution therefor of a maximum or tariff of forfeitures, based on the principle now in force in Belgium and other countries. That is for the various classes of accidents, the compensation of the physicians shall not exceed a given amount. It is thought that such a tariff would do away with the opportunity contained in the present law of making overcharges in the matter of visits and treatments. A suggestion has also been made that a part of the physician's and pharmacist's charges should be paid by the injured workman himself, who would thus have a direct interest in seeing that the number of dressings and visits and the quantity of drugs used should not exceed a proper amount. These two propositions have not yet been worked out in a concrete shape, however, and it is therefore futile to discuss the chances of their adoption.

SICKNESS INSURANCE IN FRANCE.

Voluntary Mutual Associations.—Government Subsidies.—Recent Progress and Growing Importance.—Defects.

While France has introduced the compulsory insurance of workingmen against accidents and old age disabilities, insurance against sickness is entirely voluntary with the workers. This large and important field of workingmen's insurance has been left to the mutual sickness insurance societies. Subventioned by the Government on a more liberal scale in 1898; since then their number and membership has increased rapidly. Official statistics are now available of their operations up to the end of 1908, and a review of their advancement in the ten years preceding shows some very interesting and noteworthy results.

The societies are divided into two classes, approved and free, which correspond to the registered and unregistered friendly societies in England. A distinction is made in the approved societies between those for adults and those for school-children or scholastic societies.

The following table shows how the various kinds of societies have gained in number since 1898:

	1898.	1903.	1908.
Approved adult societies	8,391	11,078	14,932
Approved scholastic societies	181	1,997	2,310
Free societies	3,253	3,203	3,243
Total, all societies	11,825	16,278	20,485

In contrast to the remarkable growth of the scholastic societies, which are eleven times as numerous as ten years ago, is to be noted the stationary number of the free societies. These do not receive a Government subvention, and the limited number of new ones formed do not suffice to make up for those changing to approved societies or going out of existence. In 1908 their number diminished by 27 and they are likely to decrease in number even more rapidly hereafter.

Of the 20,485 societies existing at the end of 1908, statistics were only furnished by 14,346 adult, 2,049 scholastic and 2,958 free societies, or 19,353 in all. As to the relief afforded, the approved adult and free societies divide themselves into the following four classes:

Nature of relief.	Approved Societies.	Free Societies.	Total No.
Sickness insurance	5,737	2,307	8,044
Sickness and old age benefits	7,609	319	7,928
Old age benefits	495	75	570
Other objects	505	257	762
Totals	14,346	2,958	17,304

Thus 92% of all the societies insure against sickness and 45% against old age disabilities. The free societies devote themselves mainly to sickness insurance and have paid little attention to the subject of old age pensions.

The growth of membership appears as follows:

Societies approved (adults).	1898.	1903.	1908.
Active members	1,279,358	1,770,772	3,103,635
Honorary members	244,632	313,455	410,968
Totals	1,523,980	2,084,227	3,514,603
Societies approved (scholastic).			
Active members	57,829	563,047	736,161
Honorary members	4,738	46,665	47,620
Totals	62,567	609,712	783,781
Free societies.			
Active members	351,544	403,678	359,289
Honorary members	33,935	36,224	36,335
Totals	385,479	439,902	395,624
Total, all societies	1,972,026	3,133,843	4,694,008

Of the 4,235,785 active members in 1908, 2,691,780 were men, 551,140 women and 992,865 children. Of the children 736,161 were enrolled in the scholastic societies and 256,704 insured along with their parents in the free and the approved societies. All told, 940,560 persons were members of societies insuring against sickness alone, 1,300,741 members of those granting old age pensions, and 1,036,266 members of societies granting both forms of relief. The growth in the membership of the approved adult societies has been very rapid in the last few years. Between 1903 and 1908, they gained 1,332,863 active members, as compared with 1,281,766—their total accession in the 33 years immediately preceding—from 1871 to 1903.

The growth in income is shown in the following table:

Approved Adult Societies.

Premium.	1898. Francs.	1903. Francs.	1908. Francs.
Active members	17,890,204	23,997,813	36,735,850
Honorary members	2,568,449	3,306,106	4,333,240
Subventions, gifts and legacies	2,253,217	2,938,841	3,435,799
Other receipts	2,594,269	4,429,077	7,363,759
Interest	3,670,175	5,868,725	12,399,544
Totals	28,977,014	40,540,562	64,268,192

Approved Scholastic Societies.

Premiums active members	2,549,304	3,610,187	
Premiums honorary members	134,700	109,517	
Subventions, gifts and legacies	205,209	178,741	
Other receipts	131,494	184,375	
Interest	101,930	217,694	
Totals	3,122,637	4,300,514	

Free Societies.

Premiums active members	5,222,335	5,552,786	6,562,588
Premiums honorary members	389,374	457,418	514,318
Subventions, gifts and legacies	1,302,760	1,542,394	1,370,358
Other receipts	921,365	2,019,678	1,056,339
Interest	1,460,402	1,529,739	1,512,086
Totals	9,296,236	11,102,015	11,015,989

The expenses in 1908 were reported as follows:

	Approved Societies—Adult.	Approved Societies—Scholastic.	Free societies.
Expenses	49,586,850	3,733,487	7,752,170
Surplus income	14,681,324	567,027	3,263,819
Available resources	262,848,360	6,548,968	47,731,630
Pension funds	222,400,243	7,819,219	.....
Totals	485,248,603	14,368,186	

All the societies combined thus show available resources of 547,348,419 francs.

Passing now to the number of beneficiaries and the nature of the relief afforded by the various societies in 1908, the following figures are of interest:

	Approved Societies—Adult.	Approved Societies—Scholastic.	Free societies.	Total.
Sick	560,884	83,721	96,864	741,469
Pensioners	177,380	.....	8,811	186,191
Funeral benefits	22,692	195	2,979	25,866
Widows and orphans	21,301	.....	2,112	23,413
Aged	7,461	.....	1,106	8,567
Confirmed invalids	4,420	.....	588	5,008
Total, all societies				990,514

	Approved Societies		Free
	Adult.	Scholastic.	societies.
Days of sickness	8,048,454	1,990,860	1,549,404
Daily sick benefit (francs)	1.34	0.462	1.56
Sick benefit per member (francs)	29.66	11.44	31.87
Cost medical attendance (francs)	5,190,780	10,819	630,775
Cost medicines (francs)	5,916,092	8,954	848,013
Sick benefits paid in cash (francs)	10,789,995	921,421	2,419,978
Funeral benefits	1,558,590	4,040	196,460
Widows and orphans	1,815,474	.....	906,026
Aged	375,198	.....	96,713
Chronic invalids	232,485	.....	45,040
Pensions and saving funds (francs)	13,758,455	2,374,230	1,348,975

Thus the total monetary relief afforded in one shape or another was not far from thirty-six million francs. The average retiring pension obtained in the approved adult societies varied from 75 to 80 francs. For the free societies, the corresponding figure was 153 francs. The management expenses of the approved adult societies were 2,531,083 francs or 5.1 per cent of all expenditures; of the scholastic 195,629 or 5.23 per cent and of the free societies 333,729 or 4.32 per cent.

As to the subventions granted to the societies by the State in one form or another, the same reached the total of 10,287,465 francs in 1908. Of this amount 8,996,705 francs came from the central government; 920,536 from the various communes and 370,224 from the different departments. The approved societies alone benefited by these subventions, with the exception of 50,604 francs granted by certain departments and communes to the free societies.

One notable feature of the mutual sickness insurance societies is their small average membership—134 and 216 active members in 1908 for the free and approved adult societies respectively. In this respect they lag behind the sickness societies in Germany and Austria, where the average number of members is 500 and 1,000. But while there is a steady increase in the cost on account of sickness in Germany, where the insurance is compulsory and overseen by the State, the opposite tendency prevails in the French mutual societies. The following table shows this:

Cases of Sickness Per 100 Insured.

	1898.	1903.	1908.
Approved adult societies	33.28	29.25	23.08
Free societies	33.60	27.79	25.22
German societies	35.	37.	43.2

Days of Sickness Per Case.

Approved adult societies	21.39	22.30	22.57
Free societies	18.55	21.41	20.49
German societies	17.6	19.	19.63

Days of Sickness Per Year Per 100 Insured.

Approved adult societies.....	712	652	521
Free societies	623	595	517
German societies	616	701	848

According to the above figures, there are now 60 per cent more days of sickness among every 100 workmen insured in Germany than among the members of the French mutual sickness societies. Among the latter, too, the cases of sickness per 100 insured are 25 per cent less than ten years ago, while among the Germans they are one-third greater. To account for this difference and for the opposite tendencies prevailing in the two countries is difficult. Germany is becoming more and more an industrial nation, where the conditions of life are more strenuous, while France still remains largely a country of small landowners and shopkeepers. Doubtless, too, the French mutual societies with their smaller membership are able to exercise a better control over their members than is the case with the German sickness societies.

It should be further noted that in Germany the average annual contribution per member increased in the period 1892-1907 from $4.14 to $6.19 or 50 per cent. In France the contribution from active members is much lower and shows rather a declining tendency. For the adult approved societies, it fell from $2.89 in 1898 to $2.60 and $2.36 in 1903 and 1908, respectively. Benefits per member have remained about the same in France, while in Germany they have shown a marked rise coincident with the increase in the amount of sickness and in the sum total of contributions.

Although the mutual sickness societies in France have made such great strides in numbers and adherents since 1898, they are as yet largely confined to the more important centres of population. Instead of a network of societies covering the whole country, the larger part of the rural districts possess none. Thus in 1908 out of the 36,222 communes in France, societies were only to be found in 8,548 or 24 per cent. 424 out of 2,911 cantons, or 15 per cent were likewise without any societies. There is therefore a large extent of territory to which the operations of the societies could be extended. Again the societies are weak in the number of women members. In 1908 women comprised but 551,105 out of a total active membership in the free and approved adult societies of 3,462,924, or 15 per cent, as against 35 per cent in the German sickness societies.

French mutual societies have thus by no means reached the limit of possible growth. Indeed if sickness insurance among workmen in France were as widespread as in Germany, their active membership should exceed eight millions or almost double the number reported at the end of 1908. That their membership is still increasing rapidly appears from the statement recently published in the daily press that their total number of adherents to-day of all classes is six millions as

against 4,694,000 on December 31st, 1908. A contributing cause to this growth is the provision in the new law making insurance against old age disabilities compulsory, by which the State assumes one-sixth of a workman's contribution for such insurance provided he can show that he is insured against sickness in a mutual society and is paying 6 francs a year as premium therefor.

OLD AGE PENSION LEGISLATION IN FRANCE.

Reasons for Its Non-Success and Unpopularity.

No sooner had the French legislature in 1898 passed the law providing for the compulsory insurance of workingmen against accidents than the question of providing old age pensions for laborers began to be agitated. It was generally admitted that something should be done in that direction, but public opinion was divided as to the best method to be followed. The choice lay between a system of compulsory insurance such as enforced in Germany, or the plan of teaching and helping workmen to insure themselves by making use of and encouraging the establishment of voluntary associations like the Mutual Aid Societies. Although the result of a canvas made in 1903 showed that an overwhelming majority of the Chambers of Commerce and of the various labor organizations were opposed to any form of compulsory insurance, the French lawmakers decided to adopt the German system. Even if opposed by public sentiment, they concluded that compulsory insurance was the only means by which the careless or improvident workman could be made to help provide for himself a pension against old age disabilities. Voluntary state aided insurance, they believed, would not accomplish sufficient in this direction to make its adoption desirable.

Without attempting a minute description, it suffices to say that the French law provides for the compulsory insurance of all salaried employees who earn less than 3,000 francs, or $600, a year. Instead of a sliding scale, based on a division into wage classes as in Germany, all workers, regardless of the wages earned, pay the same fixed amount, namely, nine, six and four and a half francs each year for men, women and children, respectively. The employer has to contribute an amount equal to that paid by his employee. When the retiring age limit of 60 years has been reached (in Germany and England the limit is 70 years), the French Government adds 100 francs or $20 each year to every individual pension. This amount is increased 10 per cent whenever the insured can show that three of his children survived to the age of sixteen years. In normal cases the workman must make 30 annual payments before he becomes entitled to a pension. Each year of military service for the man and every child borne by a woman counts as a year of payment.

For employees earning from 3,000 to 5,000 francs a year and for tenants, small farmers and shopkeepers without fixed salaries, voluntary insurance is permissible, with nine francs annually as the minimum and eighteen as the maximum payment. A bonus equal to one-half of the insured's payment is added by the Government each year, but in no case more than sufficient to increase the retiring pension by 100 francs a year. If desired, both compulsory and voluntarily insured workmen can let their pensions accumulate until they have reached the age of 65 years, in which event the retiring pension is very much higher than at 60 years—in some cases two-thirds. While

in Germany the maximum pension at 70 years has been $58 and the average pension but $41, the highest possible pension in France at 65 years is $110. No statistics are yet available as to what is the average pension in France.

At the time the French law was enacted, the assertion was made that out of the 22 million adult population, 12 millions would be enrolled as compulsorily insured and that the adhesion of six million more voluntarily insured workers might be expected. Just as in Germany, where 11½ million workmen were enrolled the first year after a similar statute was passed, the supporters of the French act expected an as equally prompt and universal enlistment on the part of the French laborers. The contrary, however, has proved to be the case. In place of 25 million dollars realized from the contributions of employers and employees during the first year of the operation of the German law, the corresponding receipts during the first twelve months of the French act were only $5,700,000. The French law took effect on July 3rd, 1911, and is therefore now in its second year. The receipts for that year are running higher than for the first and at the rate of fifty million francs, or ten million dollars a year. This means, if 14 francs be taken as the average individual contribution, that only about three and one-half million laborers have been brought under the provisions of the law, or only about one person in ten. Contrast this with the showing in Germany, where one person out of every four is insured against old age disabilities. The government claims an enrollment of almost eight millions, including about 800,000 voluntarily insured workmen; but its figures are thoroughly distrusted and are not borne out by the published table of receipts of contributions. These have been practically stationary for the last six months, and according to the Government's own figures, the number of employees insured has increased only two per cent during the last quarter. In other words, the law is not making headway, and the French working classes are persistently refusing to accept its benefits. As an evidence of this may be cited the experience of a group of landowners who offered to pay out of their own pockets the contributions required of their agricultural laborers, thus securing to the latter the benefits of the law free of charge. To their astonishment, the laborers one and all declined to become insured even on those terms. That the authorities are thoroughly dissatisfied with the results thus far obtained is evidenced by the Government's proposal to amend the law so as to compel all employers to report what employees are not obeying its provisions and to deduct from every salary the amount of the workman's contribution, irrespective of his consent.

Why is it that the French working population are so unwilling and reluctant to accept the benefits of this legislation, while in Germany a similar statute has met with universal and prompt acceptance? The answer to this question is to be found in the failure of the French legislators to adopt a system of old age insurance suited to the habits and mental attitude of their people. The idea of old age pensions is

not repugnant to the French workman, but the Prussian bureaucratic way of providing for it does not appeal to him. Not the principle, but the method, is what he objects to. Insurance against old age disabilities is nothing more than a system of enforced saving by which the laborer is compelled to set aside or contribute part of his earnings so that he will not be without resources when his strength begins to decline and he can no longer find work. But in France thrift does not have to be taught, it is practised by all classes and from the earliest years. Little school children are enrolled in mutual aid societies to which they contribute two cents a week. There are over 2,300 such societies for public school children, with a membership of 818,000 pupils. When the children leave school their deposits are returned to them and the opening of a savings account through the post office is made possible. The first step towards the securing of a retiring pension has thus been taken. Generally, however, a pension or annuity is not the object saved for, but rather the acquisition in time of a small plot of land or of a little shop. In other words, the French laborer aims to be independent and to be able to invest his savings as he deems best. This ingrained desire for liberty of action on the part of the race was lost sight of by the French legislators when they decided to follow the German system of old age pensions for workmen. The German people are accustomed to a minute Government supervision of their method of living and of their private affairs and to implicitly obey official regulations. To the Frenchman, however, the complicated formalities and the involved workings of the German plan, where the individual has no control over the disposition of his own savings, are extremely distasteful. Nor do the French seem to possess a sufficiently expert body of officials capable of handling efficiently the elaborate governmental machinery required. The payment of pensions is in many cases six months in arrears, and complaints are universal of the long delays in the carrying out of the provisions of the law. Even if these administrative difficulties be overcome, there is little likelihood of the statute ever becoming very popular. In time, by amendments the present millions of the recalcitrant workers may be brought into line and compelled to comply with the law; but it will be a forced and unwilling adhesion. Possibly, too, as urged by many prominent men, the whole system may be changed, the obligatory features modified and more encouragement given to individual initiative and to private organizations. That would be the more desirable method.

The lesson to be derived from French legislation on this subject is plain. In devising a new law to cover any branch of workingmen's insurance, the greatest care should be taken to secure the adoption of a measure that will conform to or fit in with the habits and dispositions of the working people. Because a certain system has produced satisfactory results and run smoothly in one country is no reason why it should be blindly followed in another. Only when a law complies with public sentiment will it find a prompt and universal acceptance, without which successful operation cannot be anticipated.

HOLLAND.

WORKMEN'S ACCIDENT COMPENSATION.

How Insured.—Functions Performed by the State.—Extent of Abuses. Some Defects.

Under the Dutch common law, an employer could not be held responsible for an accident to an employee where the same resulted from an act of God, an unknown cause or through the laborer's negligence. That, of course, resulted in an unsatisfactory state of affairs, which was not materially helped by the placing of employers' liability risks with private insurance companies. Those insurers paid only small sums in proportion to the injuries and then often only after contests. Yet, in spite of the example set by Germany almost a decade before, compulsory insurance of workingmen against accidents did not come into force in Holland, until February 1st, 1903.

Originally the intention was apparently to follow the Austrian law as a model. The idea of compelling employers to group themselves into associations for accident insurance purposes was, however, abandoned on the plea that the country was too small and the number of employers in many forms of industrial pursuits too limited to make the establishment of such associations desirable. As just recently in Switzerland, a bitter struggle took place between the advocates and opponents of establishing a State monopoly of this form of insurance. In the lower house, where the labor and socialistic element was most strongly represented, the vote was overwhelmingly in favor of monopoly and against freedom of choice. Owing, however, to the obstinate resistance of the upper chamber the monopoly plan was finally defeated and free competition between State and every other form of accident insurance allowed.

This outcome has proved very fortunate for the employers, as State insurance has turned out to be the most costly of all.

Underlying the Dutch law is the false idea that this form of enactment is class legislation, in which the interests of employers and employees are opposed. Thence the theory that the rights of the victim of an accident will not be safeguarded if the employer has any say as to the method of treatment. For this reason the injured workman is given the right of selecting his own physician and a Government official is made to intervene at every turn between the employer and the workman. The State alone, through its own medical department, determines the extent of the disability incurred and the compensation to be paid.

Not only does the Government fix, but it also pays out the indemnity awarded to the victim, in weekly installments. No contact between employer and employee after an accident is, therefore, the rule. This fact should be borne in mind before proceeding to a detailed examination of the workings of the law.

Leaving for later discussion the question of how the various systems of insurance are faring in this open—but not on an equal footing—competition, the first thing to consider is the number of workmen affected by and of injuries reported under the law. This is shown in the following table, which covers only serious injuries that lasted over two days and for which an indemnity was paid.

Year.	No. workmen.	No. accidents.	Under 6 weeks.	Over 6 weeks.	Deaths.
1903	455,365	30,020	26,594	3,176	250
1904	508,356	39,136	34,495	4,408	233
1905	528,820	44,219	39,204	4,782	233
1906	557,992	51,337	45,631	5,470	236
1907	574,472	54,458	48,304	5,894	260
1908	563,000	49,799	44,463	5,102	234
1909	584,000	48,377	43,514	4,622	241
1910	614,000	48,782	43,825	4,700	257
1911	650,000	52,741	47,552	4,923	266
1912	669,000	.....	.....	.....	...

Year.	Accidents per 1,000 workmen.	Under 6 weeks.	Over 6 weeks.	Deaths.
1903	65.9	58.4	5.4	0.54
1904	77.	67.9	6.8	0.46
1905	83.6	74.1	6.8	0.45
1906	92.	81.7	7.4	0.44
1907	94.8	84.	8.2	0.48
1908	88.5	79.3	9.1	0.42
1909	82.9	75.	7.9	0.42
1910	79.8	72.	7.7	0.42
1911	81.2	74.	7.6	0.41

The following figures have only been published as yet for the five year period 1903-1907:

Year.	Permanent disability cases.	Per 1,000 workmen.	Average disability per cent.	Disability 25% or less.	25-50%.	50-75%.	75-100%.
1903	657	1.54	45.01	33.2	33.9	16.7	16.2
1904	890	1.89	43.46	35.7	30.5	18.3	15.5
1905	1,152	2.24	39.09	41.3	33.	13.3	12.4
1906	1,261	2.43	36.88	44.2	32.3	14.4	9.1
1907	1,224	2.14	35.98	46.3	31.1	14.9	7.7

The following is the rate of accidents per 1,000 workmen in the different trade groups for the same years:

Group.		1903.	1904.	1905.	1906.	1907.
I.	Pottery, glass, lime, etc...	64.9	79.2	90.2	103.3	113.
II.	Precious stones	17.5	16.	13.	51.1	17.6
III.	Printing and lithographing	19.4	22.4	28.4	31.2	31.5
IV.	Building and Engineering..	89.4	99.	112.2	120.4	119.3
V.	Chemicals and explosives..	40.1	49.8	52.5	59.9	62.
VI.	Wood, cork and straw....	61.8	75.9	85.9	93.8	100.1
VII.	Clothing and cleaning.....	20.3	22.9	21.	25.	25.8
VIII.	Fine arts	23.6	39.3	56.8	47.1	49.2
IX.	Leather, rubber, etc.....	30.3	36.4	48.3	48.6	55.
X.	Minerals, coal, etc.....	61.4	84.3	96.3	108.5	118.8
XI.	Metals	78.1	103.7	115.6	128.9	129.6
XII.	Machinery, etc.....	116.3	128.8	134.1	153.6	152.9
XIII.	Ships and vehicles.....	117.3	154.1	153.7	198.1	198.3
XIV.	Paper products, etc.....	44.4	51.4	51.4	56.5	64.8
XV.	Textiles	21.	24.3	26.7	31.3	34.9
XVI.	Gas and electricity.....	57.8	67.1	65.7	73.8	75.1
XVII.	Food products	47.7	56.	62.4	68.9	70.6
XVIII.	Trade and transportation..	71.9	82.1	87.9	90.7	95.
		65.9	77.	83.5	91.9	94.8

As in almost all other countries, the percentage of cases involving death or permanent disability remains about the same. Whatever increase has occurred has taken place in the minor accidents entailing a disability of less than six weeks duration.

It is to be noted that up to 1907, accidents increased both in total and in relative number. Since that date, however, there has been quite a decline in both respects, due largely to a stricter control exercised by the Government officials. In this regard, Holland is having a happier experience than France, where accidents show an almost uninterrupted gain from year to year. This difference is all the more striking because some false rules are followed in the interpretation and administration of the Dutch law, which afford opportunities for abusive practices.

In the first place, the Government physicians who, in every instance, determine the extent of the injuries received by the victim of an accident, base their appraisal on the theoretical impairment suffered and not on the actual loss in wages incurred. For example, if a laborer loses an eye, he is deemed to be 30 per cent less efficient than before and receives an annuity accordingly. Yet his work may have been of a comparatively simple nature, which he is able to perform just as well after as before his accident. If given his full wages again, besides the indemnity awarded him, he will receive much higher pay than an able-bodied workman with unimpaired vision. In order to avoid having

workmen, who have been formerly injured, receive more than the prevailing rate of wages, the large employers exchange lists containing the names of such employees as are known to be in receipt of weekly indemnities. If one applies for work he will not be taken on unless he will agree to a reduction in the amount of the usual weekly wage by the sum received by him as an indemnity. Consequently, whenever he can, the workman tries to conceal from his employer the fact that he is drawing a regular pension on account of an injury previously incurred. If he succeeds, his salary is higher than that of the ordinary laborer doing the same work, while if he fails the employer reaps the benefit of the indemnity through not having to pay the full rate of wages. In either case, someone makes a profit out of the pension, which, of course, is wrong. Atonement for an actual wage loss suffered is the only correct rule to be followed in settling for workingmen's accidents. Any other method is a direct incentive to the laborer to exaggerate the extent of his injuries as much as possible.

Indeed, while much better kept in check than in some other countries, exaggeration and simulation of accidents by workmen are not unknown and are much complained of by employers, especially the former evil. In general, the same drawbacks to the compulsory workmen's accident insurance are to be observed in Holland as elsewhere. A hurt that would not ordinarily cause a stoppage of work in a compulsorily insured trade results in a cessation of labor, and an injury to an insured employee takes much longer to heal than if he were uninsured.

Another incentive to prolonged and unnecessary idleness on the part of those injured exists in Holland through workmen obtaining benefits from outside sources in addition to the amount allotted to them by the accident insurance law. The amount is fixed at 70 per cent of their usual wage. If, in addition, they receive monetary assistance from a fraternal order, their total income frequently becomes greater during the period of disability than while they were at work. In one instance, half of the workmen treated were receiving from 90 to 150 per cent of their usual salaries. Under such circumstances laborers will naturally delay resuming work as long as they can. The experience of the Dutch nation in this respect emphasizes the necessity of not putting the scale of compensation for accidents at too high a figure. The injured laborer should always be under a strong pecuniary incentive to resume his employment. The possibility also of obtaining benefits in excess of the usual wage through carrying outside insurance should be strictly guarded against and forbidden, as in the recently adopted Swiss law.

Although injured workmen have the right of selecting the physicians who shall treat them, the grave abuses that have resulted elsewhere from the adoption of this system are hardly to be found in Holland. Medical costs per accident and in the aggregate have remained about the same. Various reasons account for this difference from the experience of France, where free choice by the laborer of his medical at-

tendant also prevails, with a resultant constantly augmenting burden of expenditure. In the first place, the physician's rôle in Holland is limited to treating the injured party. He has nothing to say as to the compensation to be paid the victim, which is fixed by a Government official. There is thus no opportunity for the exploitation of the employer through doctors and workmen acting in collusion and making false statements as to injuries. Secondly, Holland is a small country, with only 2,500 physicians in active practice. It is easy therefore for the authorities to keep tab on each individual practitioner and to call him sharply to account if his treatment of accident cases is unnecessarily prolonged and the convalescence of his patients unusually slow. Besides, a doctor caught in improper practices may have his license to treat accident cases revoked.

A third and important deterrent is found in the clause of the Dutch accident law, which permits the employer to prescribe the first aid treatment to an injured employee. How important the provision is will appear from the following table:

Year.	Total accidents reported.	No. injuries cured within 2 days.	Year.	Total accidents reported.	No. injuries cured within 2 days.
1903	38,706	8,686	1908	65,550	15,751
1904	49,667	10,531	1909	64,404	16,027
1905	55,497	11,272	1910	66,086	17,304
1906	64,864	13,527	1911	71,731	18,990
1907	68,994	14,536			

As the law prescribes that no indemnity shall be paid unless the disability resulting from an injury exceeds two days, the figures in the second column give the number of accidents reported which either resulted in no harm being done or which were cured in two days time through the use of simple medical surface applications. These form one-quarter of all, and about the treatment of them the employer has the say and the workman has practically no voice in the selection of the physician. This is a very valuable privilege for the employers and checks dishonest practices, as the following illustration will show: In some of the larger industrial plants, surgical rooms are established with a company doctor frequent in attendance. No matter how trifling his hurt may be, a workman is obliged, under penalty of instant dismissal, to report at once as soon as he suffers an injury at the doctor's headquarters for treatment. Suppose something has flown into his eye. The offending particle is forthwith removed, and the physician can tell at once whether the patient should continue work or not. If the injury is found to be a slight one, the laborer knows that it will be useless for him to attempt to magnify it into an excuse for not working, even though he can find an easy-going physician willing to substantiate his claim. Not only does the prompt first aid treatment furnished by the employer thus prevent any exaggeration or simulation

of injuries, but it also greatly lessens the chances of a wound leading to a prolonged disability through neglect or lack of treatment in its early stages.

On the question of medical treatment, therefore, the experience of Holland cannot be cited as an argument in favor of the free choice of the physician by the workingmen. If abuses have been kept down, it has been due to limiting the choice in part and to other favoring circumstances, like the strict control possible in a small country. Black sheep exist among the members of the medical profession in all the large centres, who would be only too ready to mulct the employers if the opportunity arose through aiding injured laborers to make unfounded and exaggerated claims.

Dissatisfaction on the part of the workingmen with the amounts awarded them, so prevalent in Germany, hardly exists in Holland. Appeals to the courts especially established to pass on disputed questions arising out of the accident insurance law are comparatively infrequent. In 1911 1,650 cases were decided in the first appeal court of which only 1,284 related to questions of indemnity. Mention may be made here that the Dutch law does not permit the settlement of small annuities by the payment of a lump sum, as allowed in France. But in Holland, instead of the employer, it is the Government office which has the burden of making these small regular payments, on each recurring Tuesday, amounting in some cases to only a few cents a week. That requires much additional bookkeeping and is one cause why the administrative expenses of the State insurance department are so high.

As a whole, it may be said that, while the law has some serious defects, workingmen's accident insurance in Holland has not produced the baneful effects to be found elsewhere. In spite of the increased strain on laborers due to the greater industrial activity and attendant overtime working during the last few years, accidents are relatively less in number than in 1904. Fraudulent and simulated accidents are guarded against. Collusive practices between physician and workmen are almost impossible on account of the strict control and settlement of claims by Government officials, whose probity and uprightness are very high. Yet one must admit that owing to certain defects inherent in every system of government administration, the rôle played by the State in Holland has very considerably increased the burden on industry from workingmen's accidents. What those defects are and how they tend to unduly raise costs can be most clearly brought out by passing to an examination of State as contrasted with private insurance in the matter of employers' liability risks.

DUTCH EXPERIENCE IN STATE VERSUS PRIVATE INSURANCE.

Higher Cost and Disadvantages of Former.—Disappearance of Self Insurance, Eclipse of Corporate Insurance and Rise of Mutual Insurance.

In Holland, as in France, all forms of insurance are available to the employer. He may carry the risk himself, become a member of a coöperative or mutual insurance association, insure himself in a stock company or place his insurance in the State insurance department, which bears the title of Royal Insurance Bank. While these various systems are open to all alike, they are far from competing on equal terms. Employer's self insurance is under the greatest handicap of all and is, consequently, the least favored. On the other hand, the Royal or State Bank enjoys certain important advantages, which ought to put it in the lead of all rivals.

To begin with, the debit-side of accident insurance underwriting is made up practically of two items—administrative expenses and losses. Now, because under the Dutch system, accident claims are settled for all writers of risks through the State Bank, rival insurers are unable to secure any advantage over that institution in the important matter of losses. No opportunity is afforded them to demonstrate that they can adjust losses more expeditiously or more cheaply than the Government officials. Only in the item of expenses have they a chance to better the record of the State Bank. Here, however, the contest is again unequal. Every risk not placed elsewhere falls to the Government institution, which thereby is dispensed from the necessity of employing an agency force. Furthermore, it enjoys the use of the mails free of charge. Again, half of all the salaries of the higher officials of the bank, or about two-fifths of its total administrative expenses, are paid by the central Government. The remaining three-fifths are divided among all those insuring workingmen's risks according to the amounts respectively underwritten by them. Thus, if in any given year the private insurers insure one-half of all workers salaries, such insurers would then be called upon to pay one-half of 60 per cent, or 30 per cent, of the State Bank's administrative expenses. In other words, besides meeting their own quota of expenses they must also contribute largely towards those of an institution carrying on an insurance business in competition with themselves.

With various expense items, which its competitors are called upon to meet, thus taken care of, the State Bank, whose aim is to furnish insurance at cost and not for a profit, ought to be in a position to make lower premium rates than anyone else. One would expect therefore to find by far the larger part of existing accident risks insured with the

State institution. Such has, however, not proved to be the case, as a glance at the following table will show:

Year.	Total salaries Florins.	Salaries open to competition.	Insured by State Bank.	Pct.
1903	226,046,000	198,565,000	72,341,000	36.4
1904	251,212,700	219,460,000	65,891,000	30
1905	264,803,000	230,780,000	66,356,000	28.8
1906	280,799,800	240,890,000	69,925,000	28.6
1907	292,401,500	254,607,000	89,879,000	35.2
1908	292,922,000	253,147,000	121,397,000	48
1909	307,232,000	266,485,000	129,438,000	48.6
1910	327,088,200	282,280,000	134,550,000	47.7
1911	349,761,000	300,950,000	134,525,000	44.7
1912	364,000,000		134,000,000	

Year.	Insured by Mutual Comp.	Pct.	Insured by Stock Comp.	Pct.
1903	38,100,000	19.2	88,124,000	43.4
1904	48,200,000	22	105,358,000	48
1905	62,200,000	26.9	102,224,000	43.3
1906	75,700,000	30.9	99,300,000	40.5
1907	85,600,000	33.5	79,100,000	31.3
1908	92,000,000	36.7	49,750,000	15.3
1909	104,000,000	39	32,600,000	12.4
1910	120,000,000	42.4	27,700,000	9.9
1911	134,000,000	47.8	32,400,000	7.5
1912	144,000,000			

In the column of total salaries insured are included the wages paid by those employers carrying their own insurance. These are now but a handful in number, comprising the leading municipalities, certain Government departments and the principal railway system, which have always insured their own risks. The wages paid by these self insurers should therefore be deducted, as has been done in the second column, in order to obtain a correct estimate of the total percentage of business open to competition secured by the several systems of insurance. While permissible on making a minimum deposit of 30,000 florins, self insurance by individual industrial employers no longer occurs. One reason for this is that, if an accident happens, the full purchase value of the injured man's annuity must be deposited by the insurer with the Government bank, either in cash or in the shape of securities. If he is the employer himself, no part of this fund is ever returned, even though the victim should die the next day. A corporation, on the other hand, would in such case receive its securities back. On account of this discrimination and because those insured in a large organization obtain certain advantages free of cost, such as advice in legal matters, em-

ployers' self-insurance by owners of industrial plants has been eliminated in Holland, leaving only State, mutual and corporate insurance to dispute the field. This last branch is only open to domestic corporations—all foreign companies being excluded.

Besides the State Bank, there were originally in competition eight stock companies and one employers' mutual association. At the beginning, the stock companies were far ahead in the amount of business secured and held their own until 1907. In that year, one of the companies, owing to heavy losses sustained, ceased insuring risks and was followed later by three other companies, leaving only four active to-day.

The salaries insured by these companies declined rapidly after 1906, until 1909, since which date the amount has remained almost stationary. It is evident therefore that the stock companies, handicapped as they are, have been conducting a losing fight. Nevertheless, they are able to hold their own and underbid the State Bank on one-tenth of the possible business. That they find it profitable to accept these risks at lower terms than demanded by the Government clearly shows the premium rates of the State Bank to be in many instances too high. As the authorities move slowly in changing rates, the stock companies will probably hereafter always find some lines of accident insurance which they can handle to advantage. Employers, who would rather pay a fixed premium, will always prefer them to a mutual organization, where the rate varies according to losses incurred. But, so long as conditions in Holland remain unchanged, they will continue to play only a minor rôle in the insurance of accident compensation.

Like that of the stock companies, the amount of salaries insured by the State Bank remained stationary until 1906. With the decline of the companies in 1907, the figures for the bank begin to rise. In 1910 they reached their maximum and have since remained at the same figure, with a decline in the relative percentage of all open risks underwritten from 48 to 43 per cent. State insurance in Holland appears therefore to have passed its zenith and to be now on the decline. After having held the lead for the four years 1907-1911 in the amount of salaries insured, the State Bank in 1912 dropped to second place, having been out-distanced by its strongest and most successful competitor, the Employers' Mutual Association. Although the total of workers' salaries insured increased some 10 per cent between 1910 and 1912, the amount insured in the State Bank barely held its own. Whatever new business offers itself now is secured by its competitors.

From the outset, it was easy to foresee that employers mutual or coöperative insurance would be the kind most likely to make headway against the system of Government insurance in vogue in Holland. Furnishing its members protection against risks at cost price, dispensing with an agency force and all participants directly profiting through losses being kept down, this form of private insurance should compete on more equal terms than any other with the State Bank. Such, indeed, has proved to be the case as the figures of its steady and

uninterrupted growth from year to year in the amount of salaries underwritten plainly indicates. Starting in 1903 with the least amount of all or only one-fifth of all salaried risks, mutual insurance took the lead in 1912 with 47 per cent of all risks covered. In nine years, its business has almost quadrupled, while that of the State Bank has merely doubled.

In Holland, therefore, employers' mutual has to-day outstripped and surpassed State insurance in amount, through being able to offer lower rates than those demanded by the Government authorities. Its striking superiority in this respect is clearly demonstrated by the following table:

Year.	Salaries insured in mut. system. Florins.	Prem. based on gov. rates. Florins.	Actual prem. paid. Florins.
1903	38,100,000	865,000	728,000
1904	48,200,000	1,121,000	1,060,000
1905	62,200,000	1,537,000	1,326,000
1906	75,500,000	1,776,000	1,490,000
1907	85,600,000	2,021,000	1,598,000
1908	92,000,000	2,450,000	1,576,000
1909	104,400,000	3,310,000	2,151,000
1910	120,000,000	4,184,000	2,432,000
1911	134,000,000	4,618,000	3,132,000
Total	760,200,000	21,882,000	15,493,000

Year.	Saving over gov. figures.	Pct.
1903	137,000	15.8
1904	61,000	5.4
1905	211,000	13.7
1906	286,000	16.1
1907	423,000	20.9
1908	874,000	35.7
1909	1,159,000	41.9
1910	1,752,000	35.
1911	1,486,000	32.2
Total	6,389,000	29.2

To the above figure of savings should be added the sum of 139,000 florins found to have been overcharged the mutual association for losses from 1903-1907. The total actual saving is thus brought up to 6,528,000 florins or 29.8 per cent. over what the employers would have had to pay if they had been obliged to insure with the State. If the State premiums be estimated at 100, mutually insured employers paid 30 per cent less or at the rate of 70. In other words, the average premiums demanded by the Government for the nine years 1903-1911 have been 40

per cent higher than what those insured mutually have found sufficient to meet all losses and expenses. And even with its two-fifths higher premiums and with the major part of its administrative expenses contributed from outside sources, the State Bank failed to come out even. At the end of 1911, the total deficit in its accounts figured about 1,800,000 florins. The excessive cost in Holland of the Government system of insurance as compared with that offered by a well-managed and economically run private organization is thus conclusively proven.

The question may be asked, why, if so much more costly, the State Bank should yet be able to secure two-fifths of all the possible business. The answer is to be found in the fact that Holland is a country where small employers predominate and where large industrial establishments are comparatively few in number. The last available statistics show that in 1907 there were 83,797 employers insured, with 574,472 workmen, or seven workmen on the average for each separate employer. For the State Bank alone the figures were 54,421 employers and 190,869 workmen, or 3½ workmen per employer, showing that the less important risks were generally insured with the government office. This has been the case from the start. The small employer with only two or three workmen to insure is under no particular inducement to make a change because the total premium he has to pay is not large in amount and the possible saving to be effected would not in any case exceed a few dollars. Consequently, he is apt to stick to the State Bank, while establishments of any size or importance, as a rule, insure elsewhere. But for this hold upon the small employers, the amount of insurance effected through the Government office would be very much less.

In order to ascertain why Government insurance is so much more expensive, one need only contrast the methods of the State Bank with those of the Employers' Mutual Association. This latter, known as the Central Bank for Employers' Risks, is an incorporated association, on January 1, 1913, serving the interests of 5,275 employers, with some 267,000 workmen in their pay. Its members consist of 96 large employers carrying their risks directly with the Central Bank, and 41 affiliated mutual associations, to which the remaining 5,179 employers belong, with an average membership of 130 employers each. Each association levies its own premiums based on losses suffered and on its quota of the expenses of the Central Bank. That Bank, in turn, acts as a clearing house for all the associations, settles all losses as called upon by the State Bank, provides a legal bureau to pass on disputed claims and maintains a technical department for the inspection of plants and to suggest safeguards against accidents.

Through adopting the plan of dividing its members into small groups and making each group responsible for accident losses suffered in the establishments of those belonging to it, every individual employer insured in the Central Bank is under the strongest possible stimulus to reduce the number of accidents as much as possible among his employees. If the indemnities paid his workmen for injuries received in any given year are materially cut down, the owner knows

that it means a saving to him in the shape of a reduced premium. He has the greatest incentive therefore to adopt safety appliances and to enforce the observance of preventive rules. Contrast to this attitude, the position of an employer insured in the State Bank. Once he has paid his premium, it is immaterial from a pecuniary standpoint whether accidents among his employees occur frequently or not. So long as his equipment measures up to the ordinary standard, he has to fear no increase in his premium rates. As one of sixty or more thousand employers insured, any precautions against accidents taken by him in his single establishment will have only a very remote influence, if any, towards lowering the charge for the insurance in his particular industry. Unable to directly influence results through any especial action of his own, therefore, the employer insured in the State Bank has no particular cause to seek to reduce the number or frequency of accidents.

How this indifference as to the number of accidents operates to the disadvantage of the State Bank appears from the following table:

Year.	Accidents per Million Florin Wages.	
	State.	Companies.
1903	153	165
1904	186	186
1905	225	192
1906	262	209
1907	286	207
1908	258	179
1909	236	170
1910	223	171

Accidents, therefore, are considerably more frequent among those insured in the State Bank. Yet the contrary ought to be the case. As has just been pointed out, Holland is a country where small industry prevails. In 1907 63,746 employers, or 77% of all, had 5 workmen or less in their establishments, or a total of 87,220 workmen. Such small employers are the very best risks of all. The official figures of accidents per 1,000 workmen, given below, prove this.

	1903.	1904.	1905.	1906.	1907.
For all employers	65.9	77	83.6	92	94.7
For employers with less than 5 workmen	47.7	57.4	64	69.4	73.9

In the latter category, the average number for the five years comes to 62½, as against 82½ in the former. But, as previously indicated, it is just the small and best class of employers from a risk standpoint, which is usually insured in the State Bank. Yet, instead of making a better showing, however, as would be expected, its accident ratio per 1,000 workmen is decidedly higher than that of other insurers.

Besides excelling in the number, the State Bank also leads in the loss

per accident. For the five years 1903-1907, the losses ran in florins as follows:

Year.	State.	Companies.
1903	102.78	90.66
1904	112.58	94.24
1905	114.34	89.24
1906	115.67	80.93
1907	102.56	74.70

An injured workman insured in the State Bank, therefore, receives twenty-five per cent more indemnity on the average than one insured elsewhere. That is not due to any favoritism, but rather to lack of proper control by the government officials. For example, a casual dock laborer injured with one may be able to resume work with another employer long before his period of estimated disability has expired. In such a case, the government officials, having no system of check, would continue to pay the regular indemnity as before. Those privately insured, however, make it a point to keep tab on their workmen, and the laborer's recovery would in all likelihood be observed and the authorities notified to stop any further payment of indemnity. With a higher average loss and a relatively larger number of accidents, it is not surprising to find that in 1907—the last year for which these figures are given—the total losses of the State Bank amounted to 2.79% of salaries insured, against 1.70% for those of the private companies, or an excess of 64%.

Through having to consider only a comparatively small number, when it comes to an apportionment of losses, the premiums of the Central Bank can be more quickly and fairly adjusted to meet actual costs than those of the State institution. The latter has always proceeded on the theory that stability in premium rates is the great thing to be desired. The law itself prescribes that rates shall be revised at the end of every five years, and it is very seldom that any particular rate is altered during the five year period. The red tape that has to be gone through with in each instance acts as a deterrent against effecting any change.

Furthermore, in raising or lowering the tariff of charges, the authorities are governed more or less by their official statistics of accidents and losses in the various branches of industry. While very full and complete, their publication must necessarily be several years delayed in each instance on account of their very elaborateness. Indeed, those from 1908 on have yet to be published. Now, in Holland, as elsewhere, accident risks in different branches of trade or industry may change very quickly in this age of invention and improvement, and often from the most unexpected causes. For example, who could have foreseen that employees in butcher shops were to become a much more dangerous accident risk in consequence of meat being delivered in the Dutch cities by young men or boys on bicycles, where formerly they

went on foot? Under its methods, a number of years must always elapse before the State Bank will realize that its premiums in that particular trade are too low to cover the losses, and perhaps an even longer period before its rate will be raised. Unlike the Central Bank, where premiums are automatically adjusted every year to suit the varying results in each particular branch of industry, the rates of the State Bank are generally based on conditions as they were three or four years previous. Consequently, through its inability to speedily change rates, one would naturally expect to find the premiums of the government institution deviating from the normal more or less and being either too low or too high. And that has proved to be the case. For the first five year period after the enactment of the law, namely, from 1903-1907, the State Bank showed a deficit of 4,189,000 florins, as against total premium receipts of 7,233,000 florins. Of this total deficit, due to a variety of causes, 2,520,000 florins was ascribed to insufficiency of premium receipts. For the Bank to have covered costs, therefore, its premium income should have been over one-third higher. If 100 be taken as the correct standard, the actual premium receipts for 1903-07 were only on the basis of 73.

From this era of too low premiums and recurring deficits, we find in the second five year period from 1908-1912 that the Bank has achieved a surplus in every twelve months, or a total profit of about 2,850,000 florins. Its net deficit now stands at about 1,350,000 florins. Taking the figures for 1911, which are the last published, the gross premiums yielded 3,300,000 florins and the profit coming to the bank through excess of premium receipts amounted to 570,000 florins. Instead of an actual premium rate of 2.44, one of 2.02 per cent would have sufficed for the bank to have come out even. Its present rates, therefore, show an excess of over 20% above actual cost figures.

Again, taking the full figures for 1903-1907 (those for later years have yet to be published), the Bank's losses as contrasted with premiums run as follows:

Year.	Per cent.
1903	82.2
1904	112.4
1905	149.7
1906	184.9
1907	154.9

Starting with a surplus in 1903, the Bank met with a loss in the next twelve months. If this had occurred to a private company, it is safe to say that rates would have been promptly raised to overcome the deficit. Nothing was done by the officials of the Bank, however, so that its loss in the two following years reached alarming proportions. Only in 1907, or three years after the deficit had first declared itself, were rates partly raised and the loss partially reduced.

The slowness of government action, even in cases calling for prompt and decisive proceedings, could not be better illustrated.

Perhaps the most instructive example of the methods followed by the State Bank is to be found in the insurance of longshoremen, or those engaged in the loading of ships. As a basis for its tariff the Bank followed the Austrian statistics of 1895 and 1896, showing 48 serious accidents in this calling, involving the payment of 14,732 florins indemnity. On this showing a premium of 2.64 per cent works out. The Bank consequently started with average rates of 4 per cent in this branch. The loading of ships, however, is in Holland a very dangerous occupation, varying in risk according to the size and equipment of the vessel, the manner of loading, whether elevators are used or not, and the intensity or speed with which the work is carried on. From the very start the Bank's premium rate proved to be entirely too low, entailing losses as follows:

Year.	Premiums.	Losses.	Deficit.	Losses to premiums.
1903	104,078	227,918	123,840	219
1904	112,573	446,632	334,059	396.8
1905	167,044	653,072	486,028	391
1906	194,102	867,557	673,455	447
1907	440,264	1,180,101	739,837	268

Although total premiums in 1903, the very first year, did not cover half the losses, the same disastrous rate figure was adhered to for the three following years. Losses increased by leaps and bounds until in 1906 they were four and one-half times the premiums. Finally, in 1907, while the deficit was larger than ever, premium receipts began to rise due to rates having been at last increased. Instead of at 4, as originally, the average rate in this industry at present varies from 15 to 30 per cent.

Although the government rates up to 1907 were often too low, they were in frequent instances fixed too high. The following table, giving conditions at the end of 1907, shows this:

Risks.	State Bank premium.	Loss rate.	Per cent of wages insured outside State Bank. 1903.	1907.
Painters	3.673	1.46	81.22	87.30
Plasterers	3.673	2.91	82.15	86.46
Carpenters	4.521	1.92	72.71	81.49
Masons	3.673	2.89	74.38	79.13

In thus quoting and adhering to premiums far in excess of the true risk rate, the Bank made it easy for its rivals to secure from year to year a constantly increasing percentage of the business in the above trades.

Looking at the reverse of this picture, the next table illustrates what occurred when the Bank's official rates proved too low to cover losses.

Risk.	Percentage wages insured outside State Bank.	
	1903.	1907.
Blacksmiths	60.49	26.88
Pottery workers	41.87	0.11
Glass blowers	67.42	0.00

Here other insurers have either wholly or in greater part withdrawn from the field, leaving to the State Bank the doubtful satisfaction of carrying on a losing business more or less alone.

Coming back to the variance in methods between the employers mutual or Central Bank and those of the government institution, the branch or minor associations of the former have not only a limited number of members, but are made to include as far as possible only those engaged in one form of industry, for instance, sugar refining or carpet making. This grouping of employers by trades is deemed most desirable both for purposes of general information and because it leads to a better understanding of the causes of and possible preventive measures against accidents in each particular industry. Those engaged in the same business can learn far more accurately than can any outsider whether an employer is financially responsible or not, the condition his machinery is in, whether or not he has taken proper precautions against accidents in his work-rooms, the state of discipline among his workmen and whether they observe properly precautionary rules and regulations. In this way, the Central Bank obtains a much more accurate knowledge than can its State rival of the degree of risk incurred in different establishments. Each local association has its committee on admissions to pass on the qualifications of candidates; and, as far as practicable, only employers animated with the common purpose of reducing accident losses to the lowest feasible limit and of safeguarding the lives of their employes in every possible respect are taken in. If members fail at any time to install acceptable methods of protection or allow their workmen to become careless in observing rules of safety, they are asked to withdraw. Thus the Central Bank is enabled to carefully guard against losses arising through changes in the degree of risk and to hold its insured employers, through fear of expulsion, up to a high standard in methods of safety.

Neither of these conditions exist in the case of the State Bank. It cannot threaten expulsion in case of imperfect equipment, for it must insure all risks. Through its failure to keep in close touch with the changes occurring in classes of or individual risks, it is at a great disadvantage as compared with other insurers. As an instance of this may be cited the case of the blacksmiths. In 1903 they were a fair risk and were insured as such both in the State and Central Banks. By 1906, however, accidents had so increased in this trade that

the risk had become a much greater one. Accordingly, we find the Central Bank abandoning this branch of insurance and directing its customers to the State Bank. Later on, when the government rates were raised to correspond with the increase in risk, we find the Central Bank once more competing for this insurance. Again in 1909, the government premium for peat gatherers was lowered. This was deemed insufficient by the Central Bank to cover losses in that branch. It therefore instantly disbanded its own local association for this trade and had the members insure in the State Bank. In this way, all unprofitable individual or trade risks are unloaded upon the latter institution to the detriment of its finances and to the benefit of those its competitors.

Although its losses from accidents are so very much higher in comparison with those incurred by other insurers, the government insurance department has made no systematic effort to find out ways of cutting down the number of accidents. Mention has been made before of the Central Bank maintaining a special bureau for this very purpose, which is constantly making valuable suggestions and devising appliances for reducing the chances of accidents. The low costs shown by the Central Bank are in no small degree due to the work of this preventive bureau. Frequently it has happened that, where some recommended improvement has entirely done away with a certain kind of accident, the government factory inspectors have then made its adoption compulsory. But the point to emphasize is that the invention of such safety devices and improvements is due to private initiative and not to government action. The State follows, but towards the discovery of preventive measures it does practically nothing.

Compared to losses incurred for workingmen's accidents (which include the indemnities paid for other insurers), the administrative expenses of the State Bank run as follows:

1903.	1904.	1905.	1906.	1907.
12.4%	14.5%	19.2%	19.5%	21.5%

Unfortunately, only the total of these expenses is given, and no attempt is made to subdivide them. In the nature of things, however, they must run pretty high on account of the centralized system of the bank. Every loss—no matter how trivial—has to be referred to the head office in Amsterdam for settlement, which entails far more correspondence and clerical work than if adjustments were made directly on the spot. The administrative costs showed an upward tendency for the first five years of the Bank's existence and later figures are wanting. If, in order to put the Bank on an equal footing with a private company, there be added to the percentage of 21.5% for 1907, 10% for the cost of an agency force and 1½% more for free postage, the total expense would be 33 per cent.

Advocates of State insurance may claim that the superior showing of the Central Bank is due to its system of selected risks. It accepts

only those which measure up to a high standard, and rejects all others. If obliged to insure every employer, good, bad or indifferent, as is the State Bank, its saving in expenses over the figures of the government office would not be nearly so great. A comparison between the two systems, it may therefore be contended, is unfair, because they do not serve the same class of risks. In answer to that contention one should recall that both systems are intended to furnish insurance at cost. The odds should be in favor of the State Bank, on account of its having to pay only a part of its own administrative expenses. In 1911 such expenses amounted to 1,292,000 florins, of which the State Bank had to meet only 347,000; whereas the Central Bank, besides footing its own administration expenses of 168,500 florins, had to contribute 317,000 florins towards those of the State Bank. If, in spite of this and other advantages, the State Bank, in order to come out even, cannot charge at the rate of 70, like the Central Bank, but is obliged to charge at the rate of 100, either one of two things is clear, namely, either its expenses are unduly higher than those of its rival or its method of determining premium rates is entirely wrong.

Assuming that the State were able to operate as cheaply as the Central Bank, it should, if the principle of cost prevails, quote a like figure of 70 for the risks insured with its business opponent. If it pleads inability to do so because obliged to accept the more dangerous and unprofitable risks, which the Central Bank is at liberty to discard, the reply is that the remedy lies in its own hands. Although obliged to insure everyone who applies, the State Bank may fix its own premium rates. It is not obliged to do business at a loss, and, if its tariffs were properly rated and kept up to date, the private companies could not load it down with the unprofitable risks. That they do so is its own fault, and is a grave reflection on its management. Not its obligation to insure all comers, but lax methods and improper adjustment of premiums are the cause of its excessive loss ratio. If the experience of the Dutch nation is to count for anything, State insurance of occupational accidents would not appear desirable from any point of view. It is very costly; and, far from being a check upon, it tends to breed indifference as to the number of accidents.

In conclusion, the result of the contest in Holland, lasting now for over ten years, between State and private agencies in the field of accident insurance has been to prove the decided superiority of the latter. Official routine methods, slowness of action, tenacious clinging to false ideas and erroneous conceptions mark the proceedings of the one system, against which are to be contrasted up to date measures, prompt adaptation to changing conditions and a constant watch for possible improvements. The outcome strikingly confirms the opinion of those who believe that individual effort and private initiative can always be counted upon to produce better results than can be secured by entrusting the conduct of an ordinary business to the State.

AGRICULTURAL ACCIDENT INSURANCE IN HOLLAND.

Voluntary Compensation Insured in Mutual Associations—Favorable Experience.

While the insurance against accidents of industrial employees has been compulsory in Holland since March 1st, 1903, the statute has not yet been extended to include accidents occurring in agricultural pursuits. A project looking to that end was submitted to the Lower House of the Dutch Parliament on April 13th, 1905, but has not yet been enacted into law. All agricultural workers, cattle growers, nurserymen, florists, market gardeners, keepers of woods and parks and those engaged in forestry were to be included in its provisions. No regular wage lists were to be required, but a commission was to determine in each instance the salary of the workmen injured, the total amount of salaries to be charged against the individual employer and the degree of risk incurred by each separate establishment or exploitation.

Aside from this, the proposed legislation followed closely the provisions of the act covering industrial accidents, and centralized the settlement of claims and the payment of all indemnities in the hands of the State insurance department at Amsterdam. The extension of the accident insurance law so as to cover also agricultural workers is bound to occur before long. The leading agricultural societies have expressed themselves in favor thereof because agricultural laborers, being uninsured and thus discriminated against, are hard to obtain since industrial workmen have obtained the benefit of the accident law.

In its original draft of the law of 1903, the authorities planned to make a government monopoly of workingmen's accident insurance and to require all risks to be carried in a central State institution. In order to forestall a like attempt on the part of the government when it comes to include agricultural accidents among those compulsorily insured and to prove that such risks can be economically and satisfactorily taken care of by private organizations, two employers mutual insurance associations have been started. One commenced operations on January 1st, 1909, and insures against accidents in horticultural pursuits only. The second and more important started exactly a year later, and covers all other agricultural accident risks. It was deemed best to separate these two classes, because the accident risk is much lower in horticulture and because of the different units of organization to be made use of in the two professions. In horticulture local or regional associations are preferable, while in agriculture associations group themselves best by provinces.

Identical in their purpose, namely, to insure employees against the consequences of accidents at the employers' expense, these two associations are organized on the same general lines. Local or provincial associations are formed, each managed by its own board and each having a number of local committees for controlling and looking after ac-

cident cases. The cost of treating all minor accidents is borne by the various provincial associations, which further determine the terms at which members may join and the actual wages paid. The associations can engage in other forms of insurance if they so desire. Each association has its board of arbitration, with employers and employees equally represented thereon, to decide disputes as to compensation. Only two disputed cases arose in 1912.

These associations, with such affiliated employers as pay salaries in excess of 50,000 florins a year, form and are members of a central association, with headquarters in Amsterdam. This central association bears the expense of all serious accidents involving permanent disability or death, thus re-insuring the local associations. The central association also furnishes expert technical advice on the prevention of accidents, on legal and financial questions, and regarding safety regulations. In short, two underlying principles were followed in the formation of these associations. The first was the greatest possible centralization in everything relating to financial administration, both in the interest of economy and also, to make it easier to meet serious losses. The second was the greatest possible decentralization in all matters relating to the treatment and settlement of accidents. To local committees is left the control and determination of the medical treatment and monetary relief. How efficacious and strict a watch is kept over all cases can be judged from the fact that 52,000 laborers insured at the end of 1912 were under the surveillance of 253 separate committees, or one for every 200 employees. Under such conditions, simulation and exaggeration of accidents by the workmen is very difficult. This plan of local committees to supervise accidents is in direct opposition to that provided in the law regarding industrial accidents, under which all matters are controlled and settled from one State head office in Amsterdam.

In starting this new system of mutual insurance, many possible adherents were deterred from joining by the inability to determine the cost of the insurance in advance. As all members are proportionately liable for losses, the premiums to be paid could not be limited beforehand, as in the case of insurance by a corporation. To overcome this objection, the estimated premiums for the first year were all paid in full in advance, thus enabling the associations to start with a reserve fund. In consequence it has not been necessary to call on members for any extra contributions. Premiums are high enough to cover a regular addition to the reserve funds as well as expenses and losses, and are levied by the local associations. In turn, they remit to the central body for its expenses.

Passing now to the results of this insurance, it should be noted that indemnities paid under it are on the same scale as proposed in the Government's bill for compulsory insurance of agricultural accidents. Consequently a fair idea of the risks and cost of such insurance, if made universally obligatory, can be obtained from the operations of these mutual associations. At the end of 1912 they insured one-half of all employees engaged in horticulture and about one-tenth of those in

agricultural pursuits. The figures for the two classes of organizations show the following results for 1912:

	Horti-cultural.	Agri-cultural.
Local associations	40	10
Employers insured	2,464	9,378
Employees insured	12,000	40,000
Wages insured (florins) about	5,000,000	14,000,000
Expenses and losses (florins)	31,381	144,747
Per 100 florins wages	0.65	1.04
Losses	19,013	99,193
Per 100 florins wages	0.40	0.71
Expenses	12,367	48,554
Per 100 florins wages	0.25	0.33
Accidents	220	1,132
Less than 60 days' disability	198	1,030
Over 60 days	19	88
Deaths	3	14
Permanent disability	4	9

Contrasting these results with those in the case of industrial accidents, the following comparative figures appear:

	Horti-cultural.	Agri-cultural.	Indus-trial.
Average premiums	0.75	1.10	2.40 (1907)
Accidents per 1,000 workmen	18	28	81 (1911)
Deaths & permanent disability per 1,000	0.58	0.57	8.00 (1911)
Expenses & losses per 100 florins wages	0.65	1.05	2.22 (1907)

In the Dutch mutual associations, premiums and settlements are based on actual payrolls, differing therein from the German system. The payroll system works smoothly and satisfactorily. Owing to the lack of sufficient data, no risk classes have as yet been established. It is intended, however, ultimately to introduce that system. A beginning has been made, of course, in differentiating horticultural from other agricultural accidents. Every effort is made to exclude claims for non-occupational accidents, and the strict control and prompt investigation by the local committees tends effectively towards this end.

Employers have the option of insuring members of their own household against risks or not as they desire. All but five per cent prefer to have their families covered by the insurance.

SWITZERLAND.

THE RECENT LEGISLATION REGARDING WORKMEN'S ACCIDENT AND SICKNESS INSURANCE.

Good and Weak Points of the Measure—Peculiar and Novel Features and Reasons Therefor—The Sickness Insurance Law—The Accident Insurance Law.

Switzerland enjoys the distinction of being one of the first countries to do away with the theory of employers' liability for accidents to employees for negligence only. In 1875 transportation companies were made liable for all accidents to employees, except in case of willful neglect or "Act of God"; and from 1877 on the same principle was gradually extended to apply to work in factories and in building, mining and contracting and to other industrial pursuits. Instead of remaining content with this form of legislation, however, the National Council in 1890 submitted to the voters an amendment to the Federal constitution allowing the introduction of an obligatory system of insurance against sickness and accidents. This amendment was ratified on October 12th of the same year by the overwhelming vote of 283,228 for and only 92,200 against. Although the authorities immediately began to work out the details of a new scheme of insurance, the same, known as the Lex Forrer, was not completed until 1898, and only adopted by the National Assembly on October 5th, 1899. Its leading features were the compulsory insurance of workingmen against sickness and accidents; and all classes—workmen, artisans, agricultural laborers and small trades-people—were made subject to its provisions. Unlike the German compensation laws, wherein the limit is $500, the Forrer Act applied to all those earning up to a thousand dollars a year. Accident insurance was to be placed with a state institution, which was to have a monopoly of this branch of the insurance business. The State was to bear one-fifth of the cost of accident insurance and to contribute a certain amount for each person insured against sickness, which contributions together would have entailed an estimated cost of eight million francs. Arrangements were made for the establishment of government sickness insurance societies, which would have competed with the existing private societies. That act contained over 200 paragraphs, and its provisions and administrative details were complicated and involved.

No sooner was the Lex Forrer enacted than a storm of opposition arose. The existing private sickness insurance societies, with their influential followings, objected to the organization and competition of the public sickness insurance societies therein provided for. The agri-

cultural interests claimed that the compulsory insurance of laborers in their industry would impose altogether too heavy a burden. And the industrial classes were opposed to the idea of a government monopoly of accident insurance. A referendum having been demanded by 117,461 voters, the Lex Forrer was submitted to a popular vote on May 20th, 1900, and rejected by a vote of 341,914 against and 148,035 for.

Disheartened by this rejection, the Federal Council did not present another bill affecting workingmen's insurance until December 10th, 1906. In its draft of a new measure, the Council was actuated not so much by a desire to frame a perfect statute as by a wish to submit a measure that would receive the approval of the majority of the voters. That motive should be borne in mind in any study of this law. The bill was debated at great length, and was not finally adopted by the National Assembly until June 13th, 1911. Like its predecessor, the Lex Forrer, it aroused great opposition; but this time the objections came mainly from the employer class. With difficulty 75,930 citizens were found who demanded the usual referendum. On February 4th, 1912, the election took place, preceded by a bitter contest, and the law was finally approved by a vote of 287,585 ayes against 241,416 noes, or by a majority of 46,149. Eight only of the 25 cantons rejected the measure, the most important of them being the French speaking cantons, where the monopolistic features of the new law were strongly disliked for interfering too much with the freedom of the individual. On the other hand, owing to the support of the laboring class, the cantons containing the important manufacturies and industrial workshops approved of the act, as did also those cantons wherein the agricultural interests predominated. The authorities are now busily engaged in preparing the necessary organization to put the new law into effect. That part relating to sickness insurance is expected to go into operation in 1914, and that relating to accidents not later than January 1st, 1916.

The Sickness Insurance Law.*

While the provisions of the new law relating to accidents aroused great antagonism, those relating to sickness insurance met with comparatively little opposition or criticism. It has been generally regarded as a step in the right direction, though many persons are of the opinion that it does not go far enough.

Before taking up this new statute, a brief survey of the existing system of voluntary sickness insurance is in place. That system has grown rapidly, as the following figures will show:

Year.	No. societies.	Total membership.
1865	632	96,000
1890	1,085	209,920
1903	2,006	505,947

*Title I of Federal Law of June 13, 1911.

Out of every 100 inhabitants, 18 are insured against sickness in Germany, 13 in Switzerland, 10 in Austria and 7 in France. Next to Germany, therefore, where such insurance is compulsory, Switzerland occupies the post of honor.

But, while the figures just given make a gratifying showing, everyone familiar with conditions in Switzerland admits that there is a crying need for increasing the scope and efficiency of the present system of sickness insurance. In 1903 it covered only 30% of the male adult population and 7% of the women,—only 29% of the men and 21% of the women factory hands being insured. Hardly any children are insured; and many perish annually because the parents are unable to pay for proper medical attention. In the remote mountain districts physicians are not to be had—in the Canton Wallis over half of those who die are without medical attendance. In one extreme case 39 out of the 42 deaths occurring in one community during a given period took place without a doctor being available, even to sign the death certificate. These are grave evils which everyone admits should be remedied as soon as possible.

On the part of many of the largest employers of labor, the government was urged to introduce a system of obligatory sickness insurance. Where voluntary insurance prevails, the younger workmen neglect to join, and, handicapped by too large a percentage of older and less healthy members, the societies are often unable to fulfill their obligations. To this fact is ascribed the failure of 31% of all the Swiss sickness insurance societies during the period 1880-1903. In the various trades and occupations wherein the employer is now made responsible for all accidents, only one-half of all the workmen are insured against sickness. As only a limited number are injured in accidents, whereas all laborers sooner or later meet with sickness, compulsory sickness insurance forms the foundation for any universal and satisfactory system of social insurance.

However sound these arguments, the authorities felt that the decisive vote by which the Lex Forrer was rejected proved conclusively that the Swiss people did not desire as yet the introduction of a system of compulsory sickness insurance. As the next best thing therefore, the government decided on the plan followed in Sweden, Denmark and Belgium of encouraging the growth and extension of voluntary sickness societies by a system of subsidies. But, in order to expedite introduction of compulsory sickness insurance, permission is granted in the new law to the individual cantons and communes to declare sickness insurance compulsory, either for all or for certain categories only, of workmen, such as the more poorly paid. If a canton makes such insurance obligatory and defrays part of the expenses, the Federal government agrees to contribute an amount equal to one-third of the total outlay by the canton. It is impossible to say as yet whether any of the communes or cantons will avail themselves of this right.

Under the new law all existing Swiss sickness societies—irrespective of religious, political or other entrance requirements for members—

may become approved or recognized societies and thereby entitled to government aid. They must not be run for profit, must show their financial responsibility, must be open to both sexes and must receive Swiss on as favorable terms as members of any other nationality. Their rules and regulations, as well as all proposed changes, must first be approved by the government authorities. The societies must agree to receive members of a year's standing coming from other societies, who desire to transfer their membership on account of removal, change of occupation or dissolution of the original society. To obtain government aid, the societies must either furnish medical atttendance and medicines or pay their members a sickness benefit of at least one franc a day. As a preventive of simulation, children under 14 years of age cannot be insured in societies which give sickness benefits. For the same reason, the sickness benefit is payable only from the third day of illness, whereas medical treatment must be given from the first day. As the period of disability is apt to be less where the ailing member has to shoulder a part of the cost of medical treatment, the societies are obliged to bear only three-fourths of such cost where the time of treatment in any given twelve months aggregates 270 days or more. But the societies are required, if they so elect, to give members only 180 days of treatment in the course of one year.

Besides the matters just mentioned, the societies must undertake to treat for the account of the accident funds all accident cases for the first six weeks of disability, subject to reimbursement and appropriate remuneration. In addition, they must forego the right of selecting physicians as heretofore, and must accept the services of any doctor, chosen by any ailing member, who resides in the locality, and who is willing to serve at the rate of compensation prescribed by the government.

Up to the present time, women have had comparatively little opportunity of insuring themselves against sickness. Of the sickness societies existing in 1903, 58% accepted men only as members, for the reason that women are a more dangerous risk. Although not so frequently ill, they are apt to be longer sick than in the case of the other sex, and there has been a decided prejudice against admitting them as members of sickness societies. In prescribing, therefore, that no woman may hereafter be excluded on account of her sex from any recognized society the new law makes a great step forward. Nor can she be required to pay any higher dues than a man—she is put on a plane of equality.

Although the same disability results as in the case of an ordinary illness, only a few of the Swiss sickness societies have furnished sick benefits or medical treatment in the event of childbirth. Hereafter, however, the accepted sickness societies are obliged to treat all such cases as though they were ordinary illnesses, and must give assistance or treatment for a minimum period of six weeks. And as experience has shown that children have a much better chance of surviving if nursed by their mothers for the first few months of their existence, the societies are obliged to pay all mothers who nurse their children for a

period of at least ten weeks from time of birth a special grant of twenty francs. In this way it is hoped to do much in the way of diminishing the rate of infant mortality. If 300,000 women are insured in the approved sickness societies, which is the number the authorities have calculated upon, 18,000 cases of childbirth are expected to occur among them each year.

Whenever a sickness society shall have fulfilled the necessary requirements, it becomes entitled to an annual subsidy or contribution from the central government, based on its membership. The amount of this contribution varies. For children in all cases 3½ francs, and the same amount for the male members of such societies as pay either benefits of at least 1 franc a day or furnish medical attendance. In the case of women members, 4 francs is contributed, because their ratio of risk is higher. Societies supplying both benefits and treatment are to receive 5 francs a member, the sexes being treated alike, and 50 centimes extra is paid in all cases where in the course of 540 days, 360 days of treatment are allowed. Twenty francs is allowed for every case of childbirth, and the same sum in addition for each newly born child nursed by its mother for a period of ten weeks. But the sum total of the government's contribution in any given year is not to exceed two-thirds of the gross amount realized from members' dues, gifts and other sources. And where cantons or communes have made sickness insurance obligatory—either for all or for only certain portions of the laboring population—and have assumed the payment of the dues of members, either in whole or in part, the Federal government is to contribute one-third of any amount thus expended.

Specially favored treatment is accorded the remote and thinly populated mountain districts, with limited means of communication. Here the total of the government's contribution may reach 7 francs per member per year; and it may also make a special grant of 3 francs per head to the cantons or communes in order to reduce the cost of treating sick persons.

In 1903 there were 505,947 persons insured in the various private sickness societies. After the new law has gone into full effect, the officials count on a membership of 800,000 in accepted sickness societies entitled to benefits under the act;—660,000 in voluntary societies and 140,000 in societies in cantons and communes wherein sickness insurance shall have been made obligatory. The government's sickness insurance budget is therefore estimated in detail as follows:

Voluntary Insurance Societies.

100,000 children, at fr. 3½	fr.	350,000
255,000 men, at fr. 3½	"	892,500
70,000 women, at fr. 4	"	280,000
235,000 men and women, at fr. 5	"	1,175,000
400,000 extra treatment, at fr. 0.50	"	200,000

14,000 births, at fr. 20	"	280,000
4,700 nursing mothers, at fr. 20	"	94,000
Total	fr.	3,271,500

Compulsory Insurance Societies.

140,000 members, at fr. 4 (contribution to cantons)	fr.	560,000
35,000 members at fr. 2 (cantons assuming dues of needy persons)	"	70,000
2,800 births, at fr. 20	"	56,000
700 nursing mothers, at fr. 20	"	18,000
Total	fr.	704,000
For societies in mountainous districts	"	500,000
Grand total	fr.	4,475,500

Based on the figures expended by the societies in 1903, the cost of providing 800,000 persons with benefits and treatment in sickness would be about seventeen million francs. The government's contribution, therefore, will be slightly more than one-fourth of the total amount required—certainly a very generous proportion. An enrollment of 800,000 would mean that about 21% of the total population would be protected by sickness insurance, which percentage is about the same as that in Germany.

But will the existing societies accept the government requirements? As we have seen, the new law has many good points. It does away with all discrimination against women and enables them to obtain insurance on the same terms as men. Medical assistance is granted them in case of childbirth. A very important provision is that allowing the transfer of membership from one society to another where a laborer changes his place of occupation, for 100,000 such transfers are said to occur annually in Switzerland. The way is left open for the gradual introduction by the individual cantons of compulsory sickness insurance for all classes, while especial care has been bestowed on the formation of sickness insurance societies in the remote mountain districts. The widespread and successful application of this law depends, however, largely on the extent to which societies can be found to conform to the government requirements, so as to become entitled to the Federal subsidies. As far as the existing societies are concerned, there are several provisions in the law which may cause a number of them to hesitate about accepting its terms.

In the first place, the societies must give up their independence of action and subject themselves to government inspection and regulation. Many of them are supported to a considerable degree by contributions from employers, etc., which will be lost in the event of

change to accepted government organizations. No longer will they be able to keep down medical costs and to guard against simulation by having members treated by trustworthy physicians of their own selection. Lastly, which is the most serious objection, they may get into grave financial difficulties by being obliged to treat for the state institution all accident cases for the first six weeks of disability, and to advance the compensation therefor at the rate of 80% of wages, instead of about one franc a day, as in the case of sickness. The government agrees, of course, to reimburse the societies according to a fixed tariff for the handling of such accident cases; but whether that tariff will suffice to cover the additional outlays made in this connection remains to be seen.

It should be noted, however, that under the law any accepted society can cease to act as such by giving three months' notice of such intention. In view of this provision, it is safe to assume that the majority of the existing sickness societies will elect at the outset to become accepted government institutions. Later on, if they find the burdens and annoyances of acting as such to be too heavy, doubtless a number of them will take advantage of this loophole in the law and give notice of their desire to resume their former voluntary, uncontrolled and unassisted form. To what extent such withdrawals will take place it would be futile to speculate in advance.

The Accident Insurance Law.*

The new law establishes a National Swiss Accident Insurance Department, with headquarters at Lucerne and individual agencies in each canton, governed† by an administrative council of 40 members appointed by the Federal Council for a term of six years. Twelve of them are to be representatives of the compulsorily insured employees and sixteen of the same class of employers, four are to be named as representatives of the voluntarily insured and eight as representatives of the Government. The active management is to be in the hands of a board of managers nominated by the Administrative Council, but elected by the members of the Federal Assembly, who are not bound, however, to follow the recommendations of the Administrative Council.

Four branches of insurance are to be undertaken by the National Insurance Department. First, compulsory occupational accident insurance affecting all workmen employed in Switzerland in the following occupations: Railway and steamboat services; postoffice employees; those engaged in factories subject to the provisions of the law of March 23, 1877; in the building trades; transportation by land or water; the erection and repairing of telephone and telegraph lines and machinery; installations of a technical nature; general contracting, tunnelling, mining,

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*Title II of Federal Law of June 13, 1911.

†This body is really more advisory than governmental; see infra.

quarrying, and the building of streets, bridges, waterworks and sewers. The premiums for this insurance have to be paid by the employers.

Second in the list is a decided innovation, namely, compulsory insurance in the trades and occupations just enumerated against non-occupational accidents or such as occur outside of working hours. Here one-fourth of the premium is charged to the Federal government and the other three-fourths to the employee. The employer is to advance the workman's share of such premium, and may deduct the amount of the same from his wages.

A third category covers voluntary insurance up to 3,000 francs, against accidents to persons not included among the obligatorily insured, residing in Switzerland and over 14 years of age. One-eighth of the premium required in such cases is to be advanced by the government.

Lastly comes the voluntary insurance of employers against liability for injuries to outside or third persons.

In these two last branches, the government institution will be exposed to the competition of the private insurance companies, but on equal terms only in the last class, for in the field of voluntary self-insurance the private companies will be badly handicapped and will be at a great disadvantage through the Federal government's donation of one-eighth of the required premium.

Besides endowing the department with a working capital of five millions francs* and a reserve fund of the same amount, the government is to pay one-half of all the administrative costs of the central institution and to allow it the free use of the mails and exemption from all taxation except on real property not made use of in its insurance business. A certain part of the premiums are to be set aside in each of the four projected branches of insurance as a reserve until such time as the fund shall equal one-half of the average premium receipts plus the government subsidy received by the institution during the last preceding five years.

The authorities are empowered to compel the societies subsidized by the government under the sickness insurance law to treat all accident cases for the state institution's account for a maximum period of six weeks. Only from five to ten per cent of all injuries caused by accidents remain unhealed or uncured at the end of that period; and special arrangements will have to be made for those cases.

Compensation under the new law is to be granted on a liberal scale. Besides free medical treatment, the injured party is entitled, from the third day on, to 80% of the wages earned by him before the accident. In every case, 14 francs is taken as the maximum daily wage—anything in excess of that figure is disregarded. If permanent disability ensues, 70% of his customary wages is to be paid, but 4,000 francs is to be considered the maximum salary in calculating the rate. If only partial permanent disability ensues, the amount is reduced in propor-

*This donation to the working capital, however, is simply an advance to be repaid.

tion to the extent of the injury received. In case of death, a funeral benefit of 40 francs is provided for, and the widow is to receive during her widowhood an annuity equal to 30% of her husband's yearly wages. Children each receive 15% until they are 16; if orphans, 25%. If a child is permanently incapacitated at the age of 16, the annuity does not cease, but runs until the 70th year. Ascendants receive for life, and brothers and sisters up to the age of 16, an annuity equal to 20% of the annual wage. But in no case of survivorship is more than 60% paid—if an excess results, the annuities are scaled down, each proportionally, to 60%. The widow and children are preferred for the amounts due them, but if they aggregate less than 60% the ascendants and collateral heirs receive the difference. Where the annuity to survivors, or that granted to the victim for permanent partial disability, is less than 10 francs a month, the state institution has the right to compound it by the payment of a lump sum.

Foreigners, (of whom 200,000 are estimated to be working in Switzerland), receive only ¾ of the benefits accorded to natives, unless their home country grants to Swiss citizens equally as high a compensation in case of accident or sickness, as is to be provided by the Swiss law.

Under the present employers' liability system, an injured workman, if only temporarily disabled, is entitled to recover the full amount of wages lost by him. In granting only 80% of the daily wage earned in such cases, the new law operates to the disadvantage of the employee. In case of death or permanent disability, however, he will receive a much higher rate of compensation than now. Instead of a maximum recovery of 6,000 francs, the amount to be awarded is an annuity equal to 60% or 70% respectively of his former wages, up to 4,000 francs annually. 6000 francs capitalized at 4% will yield an income of only 240 francs a year, which is the highest amount an employee can now recover. But hereafter, the average yearly annuity paid will vary between 60% and 70% of 1200 francs (the average yearly wage), i. e., will be between 720 and 840 francs. Thus a permanently disabled workman will be three times better off than under the present system.

According to the calculations of the authorities, 700,000 persons are counted upon to become insured against accidents. This number is made up as follows:

51,000 Railway and steamboat employees.
377,000 Employees covered by present employers' liability insurance.
122,000 Employees additional in compulsorily insured list.
150,000 Employees voluntarily insured.

700,000 Total number.

At an average wage of 1200 francs, this would make a total pay

roll of 840 million francs. The premium rate is figured as follows:

For occupational accidents	2.75
For non-occupational accidents	.55
For administration expenses	.33
Total	3.63

Based on the premium rate and total pay roll just mentioned, the cost of this new insurance will amount to 30,492,000 francs. This is to be divided as follows:

	Per cent. of Wages.
Employers, 19,008,000 francs	2.26
Employees, 8,320,500 francs	.99
Government, 3,163,500 francs	.38

The employers have to bear the entire cost of insurance against ordinary occupational accidents, less the government's contribution towards the estimated administrative expenses. The employee's share is divided as follows:

	Francs
¾ cost of non-occupational accidents of the compulsorily insured	2,871,000
⅞ cost of occupational accidents of the voluntarily insured	4,539,500
⅞ cost of non-occupational accident of voluntarily insured	910,000
Total	8,320,500

The government's contribution is apportioned as follows:

	Francs
¼ cost of non-occupational accidents of the compulsorily insured	957,000
⅛ cost of occupational accidents of voluntarily insured	648,500
⅛ cost of non-occupational accidents of voluntarily insured	130,000
½ cost of administration expenses	1,428,000
Total	3,163,500

To this should be added the cost of the special insurance tribunals, viz: 161,000 francs, which brings the government's total estimated outlay up to 3,324,500 francs. If to this be added 4,475,500 francs to be bestowed on the sickness insurance department, the Swiss

government is facing an anticipated annual expenditure all told of 7,800,000 francs on account of its new insurance law.

On behalf of the new law one can say that it will bring about compulsory accident insurance for one-fourth more employees than under present conditions. To the severely injured workman it affords a much higher compensation, given in the form of a permanent annuity instead of by the payment of an easily dissipated lump sum. The average rate of indemnity is higher than that granted in any other country. Even non-occupational accidents, or those outside of working hours, are to be compulsorily insured, something that has never yet been attempted in any other country. Whether as many as 150,000 will become voluntarily insured, is an open question. Even though the government assumes one-eighth of the total cost, the employees, especially in the more poorly paid occupations, like agricultural pursuits, may find it beyond their means to pay the remaining seven-eighths of the high premiums required.

As compared with those in the obligatorily insured categories, those taking out voluntary insurance are at a decided disadvantage. The former obtain insurance against every kind of accident and only have to defray ¾ of the premium for non-occupational accidents, amounting to 0.041 2-3 of the total wage earned. To obtain the same protection, the voluntarily insured must pay the entire premium, less only the government's ⅛ share and its contribution to the cost of administrative expenses. For them the premium charge works out over 3% of the total yearly wage. If insurance against non-occupational accidents had been left optional, one-sixth of this charge could have been saved; and no good reason exists why this should not have been done. But the authorities preferred to have the two classes of insurance go together—both occupational and non-occupational insurance must be taken out, or the worker not compulsorily insured will get none at all.

From nearly every point of view the insurance of non-occupational accidents appears to have been a mistaken move. It is right and proper to insure workmen against the consequences of accidents arising in the course of their employment, but to go a step further and to indemnify them against injuries incurred while not working and while under no professional risk is to put them in a favored class as compared with the rest of the population. As no other country—except Sweden, where the government furnishes such insurance but only on a voluntary basis—has attempted to insure such risks, no reliable statistics are available as to the cost. Its financial consequences are therefore altogether uncertain. If, in spite of unremitting watchfulness, simulation is constantly on the increase in occupational accidents to workingmen, how are such fraudulent practices to be checked or controlled where injuries are reported to have occurred away from all oversight or witnesses? Will not, therefore, the estimate of 13% of all accidents be greatly exceeded? The experience of the Swiss insurance company, The Helvetia, need only be recalled, which company undertook such insurance, but was speedily obliged to give it up on account of the losses entailed due

to artificially inflicted or simulated injuries. The workmen of Italian nationality were especially noted for self-made wounds, produced by acids and corrosives.

Another interesting problem is whether the employers will not sooner or later assume the employees' quota of the premiums for non-occupational accidents, in which event all check upon simulation from the employee's self-interest will be lost. That this will come to pass is predicted by many in touch with the situation. By the terms of the law, the employer is obliged to remit to the Federal insurance department the portion of the premiums due from his employees for non-occupational accident insurance. Where an employee is earning merely a minimum living wage he cannot shoulder this amount, small though it be, and it must perforce be borne by his employer. In the larger and more prosperous establishments, the employers will do this for all classes of employees rather than be bothered with the annoyance of having to keep a complicated set of books and of deducting the small sum of a few cents a week from the wages of each workman. And in time the smaller employers may follow suit.

As is no secret, undesirable concessions and unnatural compromises were made in order to secure the passage of the accident insurance law. To this circumstance is due the insertion and retention of the provision for the insurance of non-occupational accidents. The Lex Forrer, so overwhelmingly rejected in 1900, contained a like provision, advocated on the ground of the difficulty in distinguishing between these and the usual run of occupational accidents. On its being shown that in the case of 280,000 accidents settled by the three leading Swiss employers' liability insurance companies, only 16 lawsuits arose to determine the category in which the accident belonged, the retention of the non-occupational accident clause was then urged on the ground that for the injured workman the consequences of an accident incurred outside of working hours were just as disastrous as in the case of one received in the course of his employment. That is doubtless true. But why should the state be called upon to help protect a certain class of its population only at the expense of the rest against the results of accidents incurred through causes common to all classes, and in no way due to the risks of their employment?

Besides its unfairness to the remainder of the community, the inclusion of the non-occupational accident clause is responsible for the rise of 14% in the estimated cost of the new law as compared with the acts heretofore in force. If that clause had been omitted the employers would have been able to shoulder the entire cost and no contribution from the workmen would have been necessary. The Federal Government would have been relieved from the burden of granting subsidies to carry out its scheme of accident insurance, which nearly every other nation that has legislated on the subject has thus far succeeded in avoiding. The money thus saved might have been used in starting a system of old age insurance. In spite of all these possibilities, the National Assembly, influenced by political considerations, resolutely stuck

to its determination to include non-occupational accidents within the scope of the law. Otherwise the influential Socialist party threatened that they would vote against the measure; and it was realized that without its support the act could not obtain the support of a majority of the electorate. It should also be noted that the government's being obliged, owing to the inclusion of non-occupational accidents, to grant subsidies for accident insurance, was one of the principal reasons urged for introducing a state monopoly of accident insurance.

Another section of the law which has been much criticised is that relating to the compensation of foreigners. Its wording is unfortunate in providing that foreigners are only to receive three-fourths of the usual compensation, except those from countries wherein Swiss are paid as high an indemnity as they would have received if injured at home. But such a case is never likely to occur, inasmuch as the Swiss law grants a much higher rate of compensation than that afforded by any other country—25% more than Germany, which is the next highest. If the section had read that foreigners, whose countries indemnified workmen of Swiss nationality as liberally as native citizens, should receive full instead of three-quarters compensation, other nations would have been under some incentive to treat injured Swiss laborers as liberally as their own subjects. To make full compensation to foreigners employed in Switzerland dependent on other countries raising their compensation rates to the high Swiss standard, is seeking the impossible. Consequently this provision of the law will fail of its object and will accomplish nothing towards doing away with any existing discriminations against Swiss laborers in foreign countries.

Much stress has been laid by the advocates of the law on the fact that the central government insurance establishment is to be run on mutual lines. In effect, it is claimed, the institution should be likened to a large mutual insurance company managed by those directly interested. The appointment of the members of the governing board, however, is vested in the National Assembly, and, with eight direct representatives of the Federal government thereon, the authorities are pretty certain to control the policy of the insurance department. Besides, 40 governors is altogether too cumbersome a board to work efficiently, and the real management and control of policy will be in the hands of the directors, whom the National Assembly can select as it chooses. The government office is expected to begin operations with a staff of from 500 to 600 clerks.

As has been stated before, the unhappy insertion for vote getting purposes of compulsory insurance against non-occupational accidents, with its attendant government subsidy, was one of the chief causes why a state accident insurance department was deemed necessary. The other reason urged for its establishment,—that the government would furnish through its central institution insurance most cheaply and satisfactorily—does not appear well founded.

Even the advocates of a government system have had to admit that the existing private agencies—stock companies, mutual societies, and

employers' associations—have covered this field of insurance economically and given a very satisfactory service. The average profits of the 17 domestic and foreign stock companies directly insuring employers liability risks have only equalled 1% of the total premium receipts—such insurance being given at cost price. The largest and strongest company of them all (the Zürich) showed for the period 1906-1910 gross premium receipts of 159 million francs and net profits of 12,700,000 francs. Of these only 2,200,000 francs came from surplus earnings, while 10,500,000 francs were derived from interest on the legal reserves carried. In 1910, the two leading companies (The Zürich and the Winterthur) showed, the former a profit of 218,000 and the latter a loss of 213,000 francs, after paying all losses and administrative expenses. Had it not been for the interest on the large reserves accumulated of 2,706,000 and 1,803,000 francs, respectively, the companies would not have been able to declare a dividend. Claims are settled quickly and satisfactorily and with almost no litigation. Out of a total of 103,000 accidents settled during the course of two years by the different Swiss private organizations, only 165 were taken into court, or less than two lawsuits per 1,000 accidents. In contrast to this, one need only think of the enormous and constantly increasing mass of litigation in Germany and Austria. In Austria there is one appeal for about every three accidents entitling the injured to compensation. In 1909 76,352 appeals, or 18% of all accident cases, were brought before the German arbitration tribunals, and 25,234 of these, or 33%, were further appealed to the imperial insurance office. On account of the excellent record made by the Swiss companies, it is all the more surprising that the National Assembly should have decided on suppressing their activities in the accident insurance field. In favor thereof the argument was advanced that, if allowed to compete, the private companies would take only the better class of business, leaving the state institution to handle all the bad risks. Even if that were so, it is immaterial, for the state can charge what rates it pleases and thereby recoup itself for any losses. As a matter of fact, the Zürich and Winterthur companies formally offered to share any and all risks with the state institution on an equal basis. Nevertheless, the Swiss lawmakers, perhaps fearing that the government institution could neither flourish nor make headway unless it had the field to itself, remained unmoved and determined to do away with all private competition.

Aside from the possible heavy cost of non-professional accidents, it remains to be seen whether the intended government monopoly of workmen's accident insurance is going to work reasonably well in practice or prove a very costly experiment. State insurance has usually resulted either in excessively high premium rates, with costs covered, or in too low premiums, with constantly recurring deficits.

That the new government accident insurance department will furnish insurance cheaper or settle claims more promptly than the private companies is not to be expected. Whatever experience there is, points the other way. The history of the government's military insurance depart-

ment against sickness and accidents, where costs have been rising by leaps and bounds during its 10-year existence and have averaged more than five times the original amount estimated, is far from re-assuring. Complaint is made of the dilatoriness and of the disagreeable haggling of the government officials in settling with victims of railway accidents occurring on the lines owned by the state.

In view of this, both employers and employees may hereafter have decided cause to regret in many respects the suppression of the existing system of private competition and its replacement by a bureaucratic government monopoly.

SWISS EXPERIENCE IN MILITARY INSURANCE.

An Instructive Ten Year Test of State Insurance—Unfavorable Experience.

As throwing some light on the subject of State insurance, the operations during the last ten years of the government bureau for insuring those engaged in military service is not without interest.

Beginning in a small way in 1874, the Swiss government thereafter gradually extended the relief offered to those who become ill or disabled while in the military service. During the period 1889-1894, the State insured such military risks in one of the larger private Swiss insurance companies with very satisfactory results, as was frankly stated in the National Assembly. Nevertheless, the officials came to the conclusion that it was undignified for the government to employ a private agency, and, from 1895 on, conducted this branch of insurance for account of the government direct.

In 1898 a new proposal was made to increase the rate of compensation to be paid to soldiers, who suffered injury or incurred sickness or disability during the time of their military service, to the same amount that an industrial establishment would have to pay to one of its employees in like circumstances. The advocates of the measure asserted that, based on the most careful estimates, the increased cost of this extra insurance would not exceed 100,000 francs a year. In place of an annual average outlay of 64,000 francs, the government experts confidently predicted that 164,000 francs would suffice to meet all charges in the course of the year under the proposed act. Accordingly, on these representations, the Swiss Parliament adopted the proposed law; and it took effect January 1st, 1902.

Hardly had the new law gone into operation before it was seen that the estimates of its cost were absolutely untrustworthy and too low. In the very first year after its passage, an extra credit of 500,000 francs had to be voted, in addition to the 165,000 francs provided in the government budget. How far the authorities erred in the figures they submitted, namely, 165,000 francs, is best shown by the following table of the actual cost of the insurance of the Swiss military establishment for the 10-year period beginning with January 1st, 1902.

Insurance cost.

1902	fr. 680,000	1908	fr. 850,000
1903	" 807,000	1909	" 893,000
1904	" 787,000	1910	" 1,017,000
1905	" 836,000	1911	" 1,316,000
1906	" 879,000	Average	" 894,000
1907	" 876,000		

In the original government estimate, the sum of 116,500 francs

was deemed sufficient to meet all payments required on account of accident or disability cases. The actual average amount required for the 10-year period has proved to be 351,000 francs, the least in any given year being 220,000 francs and the highest (in 1911) being 607,000 francs. In the department of sickness insurance, the showing is even worse. In place of an anticipated annual outlay of 36,000 francs, the amount expended has run beyond that required for disability cases and in 1911 reached the total of 614,000 francs. Administration costs have likewise far exceeded the original estimates and show a steady increase from year to year, having risen from 33,000 francs in 1902 to 69,000 in 1911.

Most of these figures are clearly set forth in a message dated November 12th, 1912, addressed by the Bundesrat, or governing council, to the Swiss National Assembly. The increased cost is ascribed in part to the higher indemnity rates paid under the new law, which have induced more of the well-to-do soldiers to apply for relief than was the case with the small amounts previously doled out, and secondly, to the simulation and exaggeration of illnesses and accidents. Thus the government counted on having to issue only 20 permanent pensions a year, instead of which the average number has been 53. In one year, the figure rose to 129. In the last 12 months before this law took effect, 2,908 cases of sickness were reported, entailing 47,010 days of illness, whereas in 1911 the corresponding figures were 5,906 cases and 109,474 days.

Whatever may be the true causes for its unexpected and costly results, the experience of the government in the branch of military insurance makes a very unfavorable showing. The losses to be met proved from the start to be four times as great as had been counted on, and are constantly rising—although the size of the army has remained about the same. Simulation of illnesses and exaggeration of injuries are rife; and the officials are unable to make any headway against these abuses. This chapter of Swiss State insurance has only added to the misgivings of those who so strongly opposed the introduction of the system of compulsory accident insurance to be carried on by the State alone without any outside competition. Will the State make a better showing when it comes to handling this new class of risks or will the outcome be as similarly unfortunate and costly for the government finances as in the case of the insurance granted to those in its military service? This is a question which must be left to time and experience for an answer.

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